

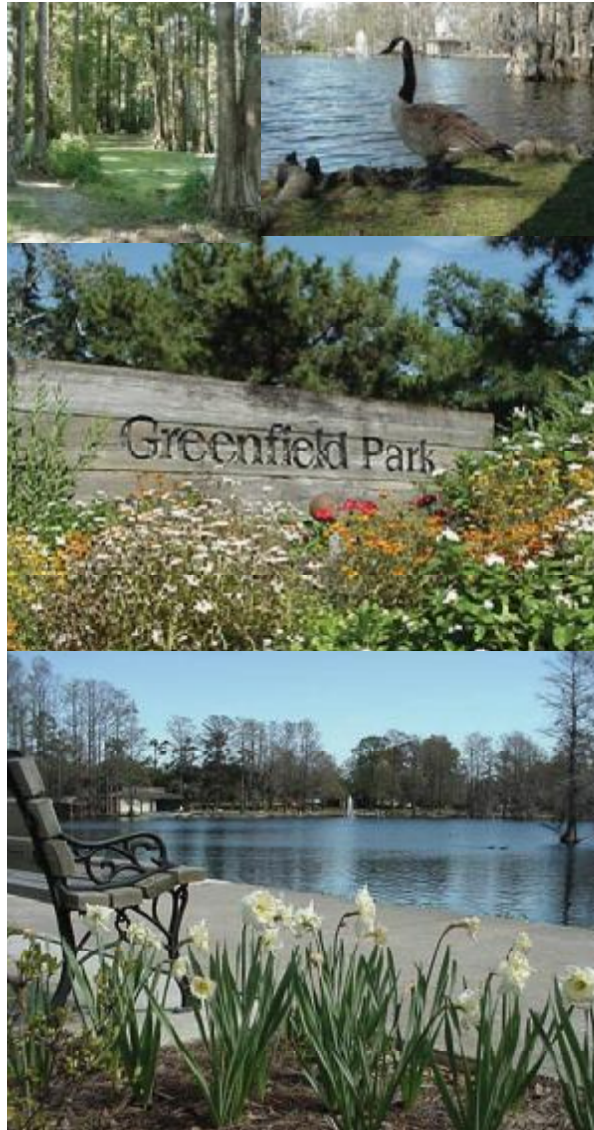
City of Wilmington  
North Carolina

# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2006



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City of Wilmington  
North Carolina

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2006

Prepared by  
Finance Department

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**INTRODUCTORY SECTION TAB (FRONT)**

**INTRODUCTORY SECTION TAB (BACK)**

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Comprehensive Annual Financial Report**

**Year Ended June 30, 2006**

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**City Council**

Spence H. Broadhurst, Mayor  
James L. Quinn, III, Mayor Pro-Tem  
Laura W. Padgett  
Jason Thompson  
Vassilios A. Saffo  
Lethia S. Hankins  
Earl Sheridan

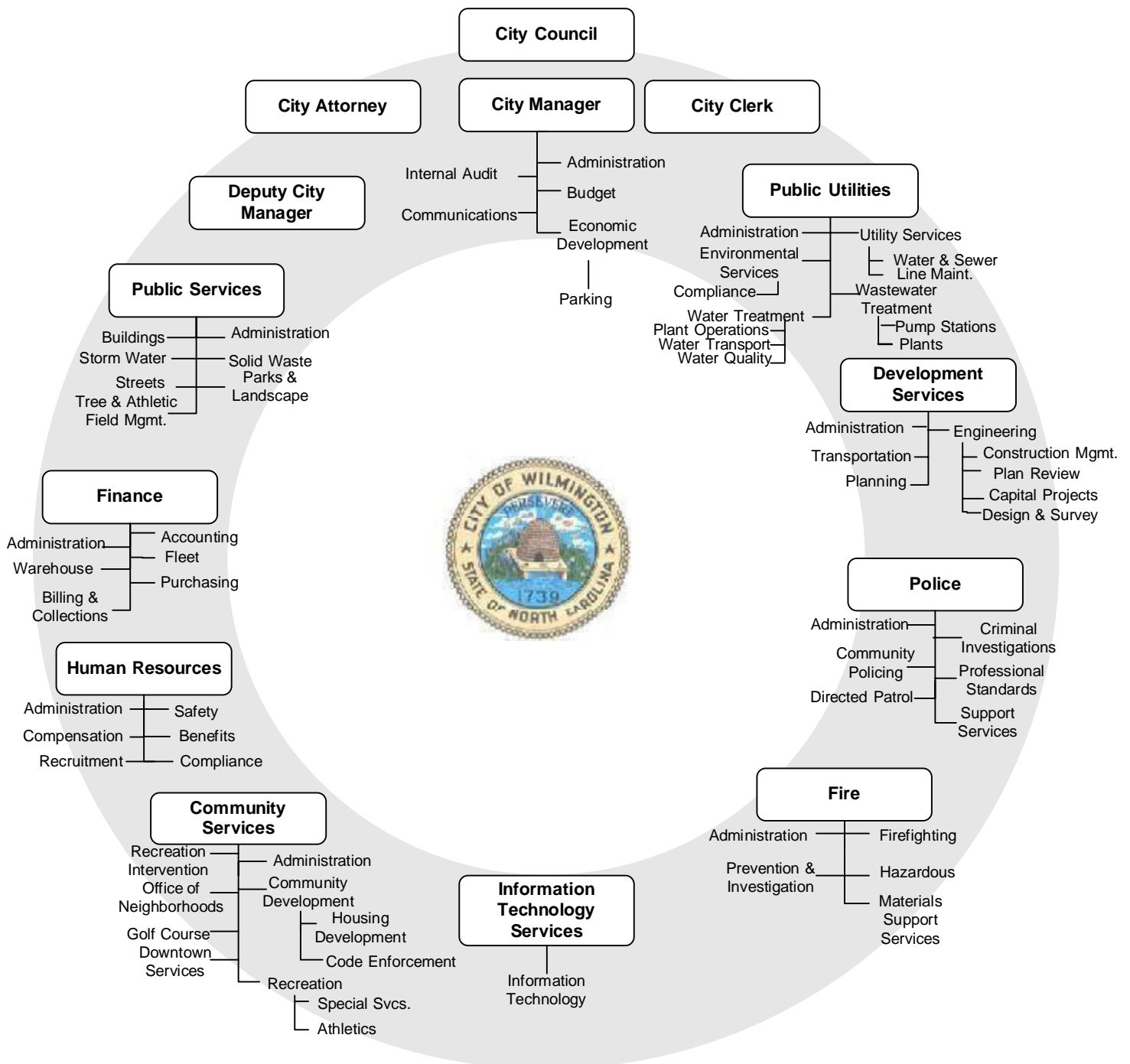
**City Manager**

Sterling B. Cheatham

**Finance Director**

W. Brent McAbee

# City of Wilmington North Carolina





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Finance Department

Accounting Division  
320 Chestnut Street  
PO Box 1810  
Wilmington, NC 28402-1810

910 341-7822 phone  
910 254-0906 fax  
wilmingtonnc.gov  
Dial 711 TTY/Voice



October 27, 2006

Honorable Mayor, Members of the  
City Council and City Manager  
CITY OF WILMINGTON  
Wilmington, North Carolina

The Comprehensive Annual Financial Report of the City of Wilmington, North Carolina, for the fiscal year ended June 30, 2006, is submitted herewith. This report was prepared by the City's Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is accurate in all material aspects; it is presented in a manner designed to present fairly the financial activity of its various funds and component unit; and all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, the Certificate for Excellence in Financial Reporting for the fiscal year ended June 30, 2005, the City's organization chart and a listing of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis and basic financial statements including notes to financial statements and required supplementary information. Management discussion and analysis complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section presents information in conformity with provisions of the Federal and State Single Audit Acts, which establish audit requirements for state and local governments that receive federal and state awards. This section includes schedules of federal and state awards, findings and questioned costs and the independent auditor's reports on internal control and compliance with applicable laws and regulations.



## **INDEPENDENT AUDIT**

The General Statutes of North Carolina (Section 159-34) require an independent financial audit of all local governmental units. The City's financial statements have been audited by Lanier, Whaley, Craft and Company, a firm of licensed certified public accountants appointed by City Council. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006 are free of material misstatement. Their audit was performed in accordance with generally accepted auditing standards and government auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as they considered necessary in the circumstances. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements involving the administration of federal and state awards.

## **PROFILE OF GOVERNMENT**

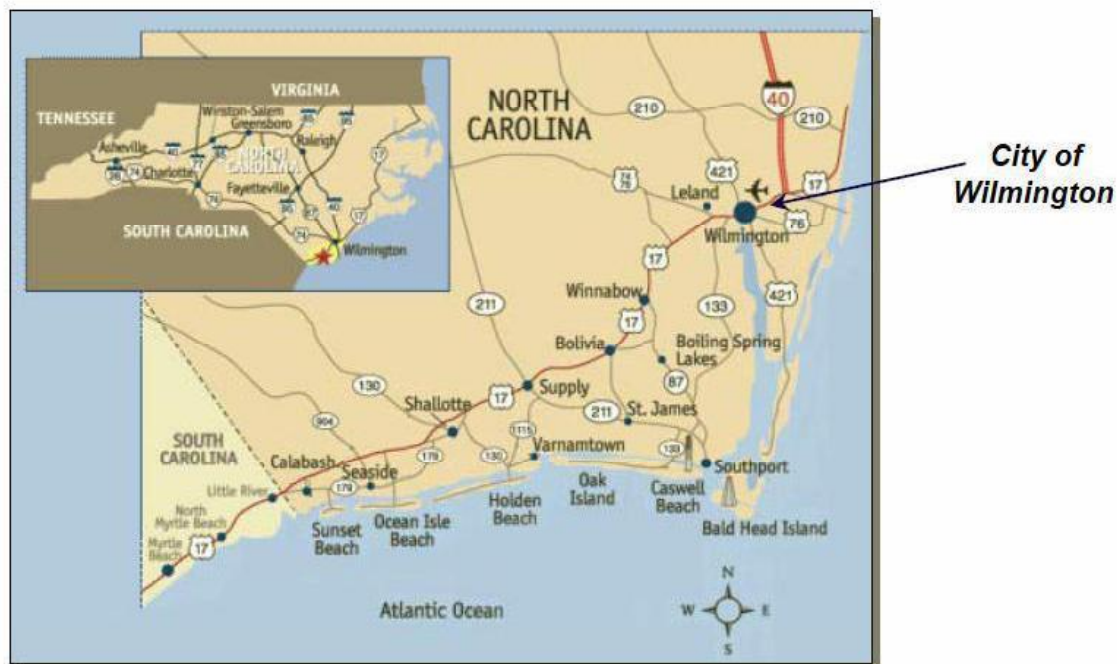
The City is located in southeastern North Carolina on the Atlantic Coast. The City, which was incorporated in 1739, presently covers a land area of 54 square miles and has a population of 97,135. The City is empowered to levy a property tax on the appraised value of all real and certain tangible personal property located in the City. New Hanover County is the only other unit levying taxes within the City's corporate limits. The City is also empowered by statutes to extend its corporate limits by annexation.

The City has a Council-Manager form of government. The Council is comprised of the Mayor and six Council members. The Mayor is elected at large every two years and the Council members are elected at large every four years with staggered terms. The Council is the legislative body of city government with the Mayor as a voting member and the presiding officer. The city manager is appointed by the Council and administers the daily operations of the City through appointed department heads.

The City provides the full range of services contemplated by statute. This includes police, fire, sanitation, streets, public improvements, planning and zoning and general administrative services. The City also operates consolidated water and sewer utility systems, a ground water utility system, parking facilities, golf course, and provides solid waste and storm water management services. In addition, the Cape Fear Public Transportation Authority, a component unit, provides bus transit services within the City.

The annual budget serves as the foundation of the City's financial planning and control. The budget process begins with an annual work session in January with the City Council. The City's strategic plan is revised as needed and priorities for the upcoming budget process are identified. Department heads submit requests for appropriation to the city manager during the first weeks of March each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the City Council for review in early May each year. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the fiscal year.

The annual budget is prepared at a functional level (e.g. public safety). Department heads may make transfers of appropriations within a department. Transfers of appropriations between functions (e.g. public safety), however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund and enterprise fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For enterprise funds with appropriated annual budgets, this comparison is presented in the enterprise funds subsection of this report, which starts on page 117. Also included are budget-to-actual comparisons for each governmental fund and enterprise fund for which a project-length budget has been adopted (i.e., special revenue funds and capital projects funds).



## ECONOMIC CONDITIONS AND OUTLOOK

The City serves as the economic, cultural, and services hub for southeastern North Carolina. The historic attractions, mild climate, water related activities, and business opportunities have made the region one of the fastest growing areas of the nation. The population in the three county region comprised of New Hanover, Brunswick, and Pender increased over 15% in the last five years. In the City, non-residential development has exceeded \$504 million just in the past three years. An annual forecast prepared by the University of North Carolina at Wilmington's Cameron School of Business estimates the area's economy will grow at a rate of 7% in 2006 following a 7% 2005 rate and 10% in 2003 and 2004.

While Wilmington's 6% manufacturing employment base is below the state average, the unemployment rate has consistently been less than state and federal levels. This is in part due to the diversity of the local economy with professional services, trade, health care, the hospitality industry, and construction comprising over 60% of the workforce. Major employers in the City with over 1,000 employees include New Hanover Health Network, University of North Carolina at Wilmington, New Hanover County Board of Education, New Hanover County, and the City of Wilmington. In addition, two pharmaceutical companies located in Wilmington have a combined workforce of over 1,600 with salaries well above the area average.

New Hanover Health Network (NHHN) continues to expand its services and is southeastern North Carolina's leading health-care provider with over 4,600 employees. Construction is underway for a four-year \$221 million expansion of their Wilmington facilities. The plan features a new women's and children's center with an expanded service line to include the area's first pediatric intensive care facility. The current nine floor patient tower is being completely renovated and converted to almost all private rooms. A new 100,000 square foot surgical pavilion on the main campus scheduled to open in December 2007 will feature 26 operating rooms and 76 recovery rooms.

The University of North Carolina at Wilmington (UNCW), for the ninth consecutive year, was rated among the top 10 public regional universities in the south by *U.S. News and World Report*. UNCW enrollment is approximately 11,850 in the fall of 2006. The University also received the 2007 "Best in the Southeast" designation by *The Princeton Review* and a top 50 best value rating by *Kiplinger's*. In addition to UNCW, Cape Fear Community College (CFCC) is one of the largest schools in the North Carolina Department of Community Colleges system with almost 5,900 students enrolled for fall 2006.

The City's location affords industries equal accessibility to major markets north and south. The Wilmington port, located in the City on the east bank of the Cape Fear River, is one of two deep water harbors in the State. During the fiscal year ended June 30, 2006, the State-owned terminal handled almost 3.5 million tons of cargo, up from 3.0 million in 2005. Construction is well underway on a \$467 million Federal and State funded project that began in 1999 to improve the channel access and widen the harbor at the port.

Tourism remains the largest economic driver in the area in terms of employment and revenues with an estimated 1.8 million visitors generating \$350 million with total impact of \$875 million in 2005. This represented a 7.4% increase over 2004 and ranks New Hanover County 8<sup>th</sup> among North Carolina counties.

## **ACCOMPLISHMENTS AND INITIATIVES**

During FY 2005-06, the City achieved a number of improvements in municipal operations and services provided to the citizens of the City. Some of the more significant accomplishments for the year and major program initiatives for the future are identified below:

Development and Redevelopment. The City of Wilmington has a variety of development and redevelopment challenges and opportunities. The City's annual population growth rate was fairly consistent from 1940 to 1980 – at around 1%. In the 1980s and 1990s, the annual growth rate was approximately 2%. In 1999 and 2000, the City annexed approximately 26,000 people, contributing to a substantial population increase. Since 2001, the growth rate has been approximately 1.65% per year. The City is approximately 90% developed and with a growth rate of 1.65% per year, total build-out could occur within 20 years. Redevelopment of aging commercial areas is an emerging trend as vacant land becomes scarcer. Surrounding areas continue to increase in population while Wilmington maintains its position as the regional commercial hub.

Suburban mixed use development on undeveloped sites has been occurring over the past three years, with three large projects totaling almost 700 acres under development. Mayfaire is nearing completion at this time and Autumn Hall has been approved by the Technical Review Committee and set to be released soon. The residential component of the Fairfield Park project has been completed. There is only one large vacant area of land remaining in the City around the intersection of 17<sup>th</sup> Street and Shipyard Boulevard. The area would also be appropriate for mixed use development.

A major clean-up of the Land Development Code, adopted in December 2004, was completed in October 2005. Staff has implemented a biennial schedule for code maintenance to ensure that, as it's implemented, the code remains pertinent and accurate. In addition to the clean-up, amendments have been adopted which add flexibility to the code, including allowing limited mixed-uses in multi-family zoning districts and a proposed Riverfront Mixed Use District.

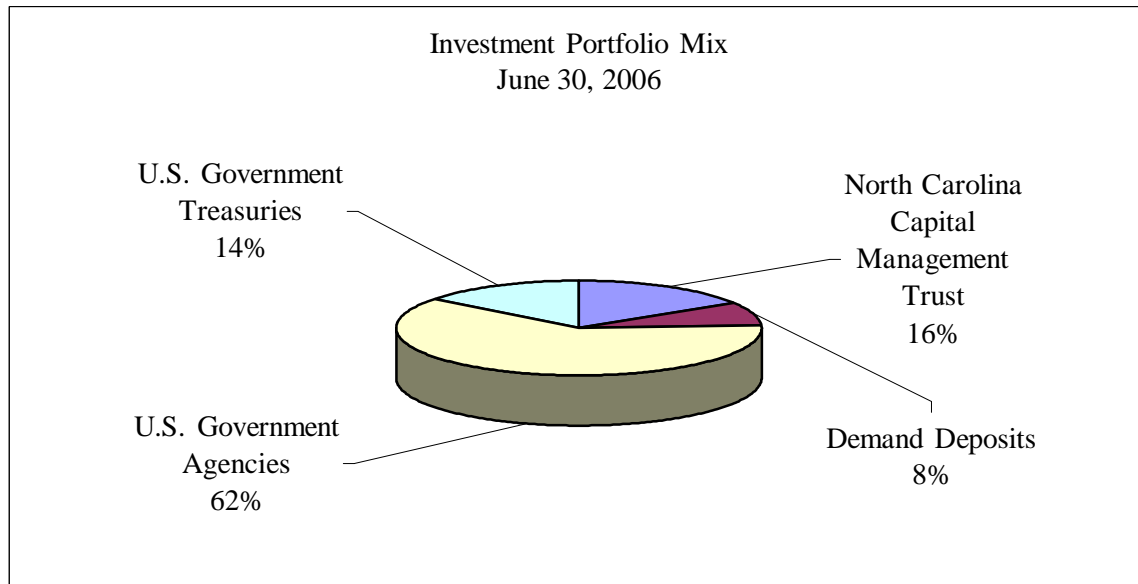
Staff updated the Long Range Transportation Plan in December 2005. The updated Coastal Area Management Act (CAMA) Environmental Plan was adopted by both the City and New Hanover County in March 2006. It was endorsed by the Coastal Resources Commission in June 2006.

Public Facilities. Construction was completed on the final phase of a 40 acre operations center that houses most of the City's public works and utility maintenance facilities at a total cost of almost \$19.4 million. A total of \$18 million of an estimated \$24 million project budget has been expended on the construction of a new 85,000 square foot police headquarters with completion expected by the end of November 2006.

Water and Sewer Consolidation. In September 2005 a resolution was concurrently approved by the Wilmington City Council and the New Hanover County Commissioners declaring the intention of the two bodies to form a separate authority to consolidate water and sewer operations. In June of 2006, the two bodies created a Water Sewer Advisory Committee to guide the consolidation effort. The two entities also pledged \$200,000 each to hire a consulting firm to assist with the consolidation effort.

## CASH MANAGEMENT

The City's investment policy is designed to minimize credit and market risks while maintaining a competitive yield on its portfolio. Available cash is invested in interest bearing demand deposits, obligations of the U.S. Treasury and governmental agencies, and the North Carolina Capital Management Trust (an SEC registered money market fund), in accordance with North Carolina General Statute 159-30. Deposits are either insured by federal depository insurance or are collateralized by securities held by the State Treasurer's agent in the name of the State Treasurer. At June 30, 2006, the City held \$185.6 million in cash and investments in the following mix:



## RISK MANAGEMENT

The City has a self-insured medical insurance program with administration of the program by Blue Cross/Blue Shield of North Carolina. In addition, the City contracts with Blue Cross for stop-loss pooling of claims on an individual basis once a claim reaches \$150,000 during a contract period. Aggregate stop-loss limits the City's losses to 125 percent of expected claims. The City has established a reserve for existing claims as of June 30, 2006 of \$834,299.

The City is also a self-insurer for workers' compensation insurance up to a maximum of \$300,000 per claim for general employees and \$500,000 for public safety employees with an aggregate annual limit of \$3,000,000. The City has established a reserve for existing claims as of June 30, 2006 of \$361,952. Funding is included in the General Fund for expected claims. The City purchases property, general liability, and crime insurance through qualified commercial insurers at a level deemed appropriate for each type of coverage. The coverages are placed by New Hanover County Risk Management pursuant to an interlocal agreement with the City.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wilmington for its comprehensive annual financial report for the fiscal year ending June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing achievement with the highest standards in government accounting and financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Wilmington has received a Certificate of Achievement for twenty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

#### **ACKNOWLEDGMENTS**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I especially express my appreciation to Alice Johnson, Stephanie Jacobs, Bryon Dorey, and Eric Olsen for their efforts and contributions to the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W. Brent McAbee". The signature is fluid and cursive, with the first name "W." and last name "McAbee" clearly distinguishable.

W. Brent McAbee, CPA  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wilmington  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



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## **Lanier, Whaley, Craft & Co.**

*Certified Public Accountants and Consultants*

### **Independent Auditor's Report**

The City Council  
City of Wilmington, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wilmington, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wilmington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wilmington, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2006 on our consideration of the City of Wilmington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance Schedule of Funding Progress and Schedule of Employer Contributions on pages 3 through 14 and 78 and 79 respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the City of Wilmington, North Carolina. The introductory information, combining, and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of basic financial statements and, accordingly, we express no opinion on them.

*Lanier, Whaley, Craft & Co.*

Wilmington, North Carolina  
October 27, 2006

## Management's Discussion and Analysis

As management of the City of Wilmington, we offer readers of the City of Wilmington's financial statements this narrative overview and analysis of the financial activities of the City of Wilmington for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

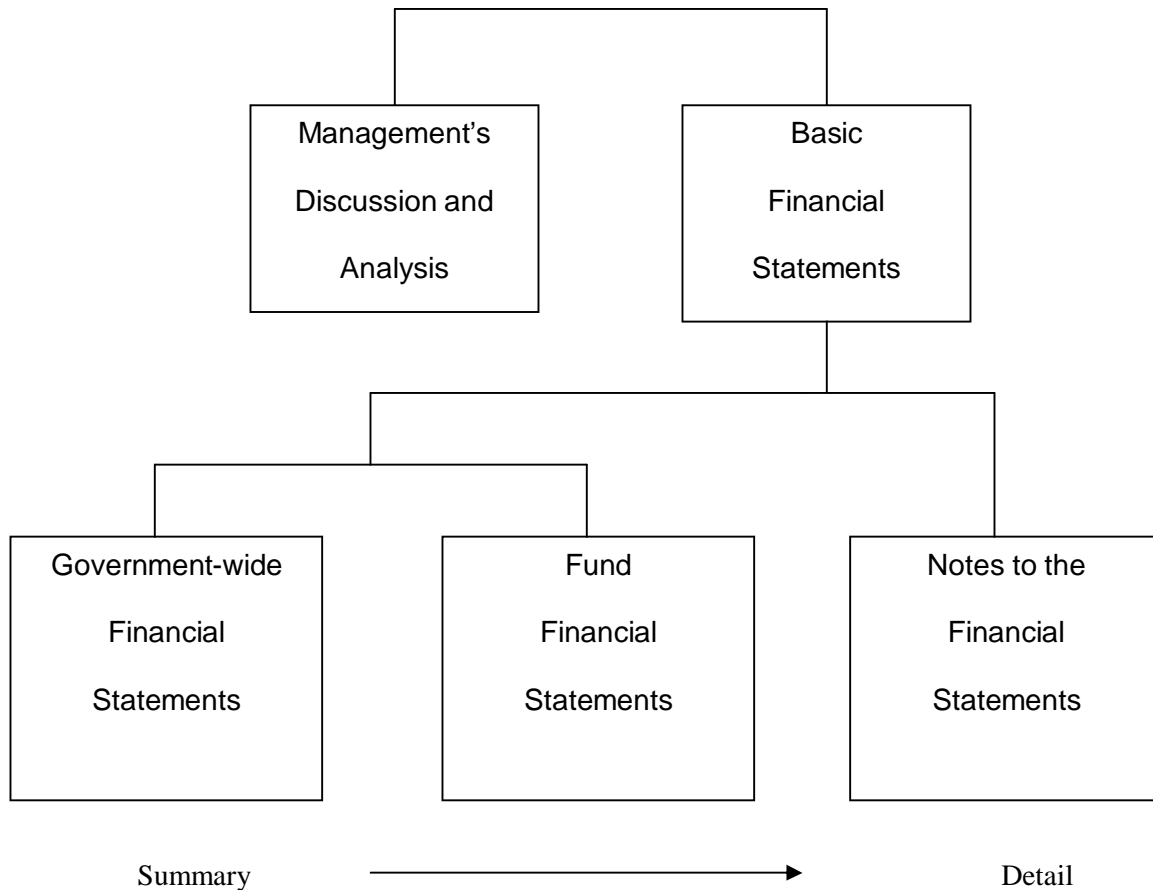
- The assets of the City of Wilmington exceeded its liabilities at the close of the fiscal year by \$290,503,957 (*net assets*).
- The government's total net assets increased by \$23,772,384 with approximately 59.9% of that amount accounted for in the net assets of the governmental activities.
- As of the close of the current fiscal year, the City of Wilmington's governmental funds combined ending fund balances decreased \$18,633,857 from the prior year to a total of \$81,931,720. Approximately 25.6% of this amount, or \$20,953,016, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$18,465,163 or 30.1% of total general fund expenditures for the fiscal year.
- The City of Wilmington's total long-term liabilities (excluding compensated absences) increased by \$52,324,981 or 32.8% during the current fiscal year. Total long-term liabilities increased for governmental activities as repayments of existing long-term liabilities were offset by the issuance of \$6,071,188 in other long-term obligations. Total long-term liabilities increased for business-type activities as repayments of existing long-term liabilities were offset by the issuance of \$52,840,000, excluding debt issued for advance refunding of revenue bonds and \$864,000 in other long-term obligations.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Wilmington's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Wilmington.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to evaluate the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include water and sewer services, solid waste services, parking facilities, storm water management, and a golf course operated by the City. The final category is the component unit. Although legally separate from the City, the Cape Fear Public Transportation Authority is important to the City because the Authority is primarily fiscally dependant upon the City.

The government-wide financial statements are on pages 15 - 17 of this report.

### **Fund Financial Statements**

The fund financial statements (see figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wilmington, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Wilmington can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Wilmington adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.



**Proprietary Funds** – The City of Wilmington has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Wilmington uses enterprise funds to account for its water and sewer services, golf course operations, solid waste services, storm water management, and operations of the parking facilities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Wilmington. The City uses an internal service fund to account for two activities – fleet operations and personal computer replacement. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 36 - 77 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Wilmington's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 78 of this report.

### **Government-Wide Financial Analysis**

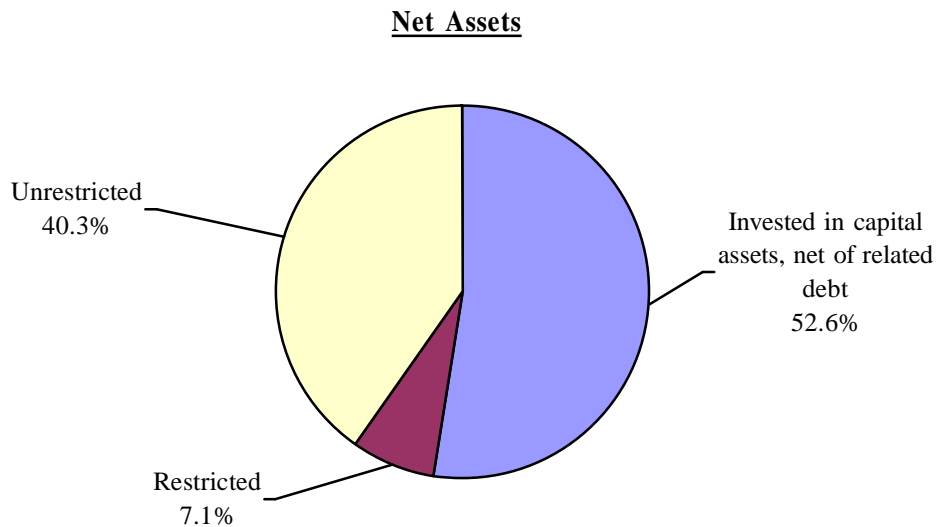
As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Wilmington exceeded liabilities by \$290,503,957 as of June 30, 2006. The City's net assets increased by \$23,772,384 for the fiscal year ended June 30, 2006.

A significant portion of the City of Wilmington's net assets (52.6%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Wilmington uses these capital assets to provide services to citizens; consequently those assets are not available for future spending. Although the City of Wilmington's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City of Wilmington's net assets of \$20,592,633 (7.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$117,048,020 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year the City of Wilmington was able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Net Assets**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>ASSETS:</b>						
Current and other assets	\$105,637,514	\$118,314,849	\$118,271,652	\$ 61,346,933	\$223,909,166	\$179,661,782
Capital assets	<u>100,432,872</u>	<u>69,247,618</u>	<u>200,251,707</u>	<u>192,266,534</u>	<u>300,684,579</u>	<u>261,514,152</u>
Total assets	<u>206,070,386</u>	<u>187,562,467</u>	<u>318,523,359</u>	<u>253,613,467</u>	<u>524,593,745</u>	<u>441,175,934</u>
<b>LIABILITIES:</b>						
Long-term liabilities	84,539,415	83,132,416	133,272,258	82,341,749	217,811,673	165,474,165
Current and other liabilities	<u>8,115,503</u>	<u>5,256,054</u>	<u>8,162,612</u>	<u>3,714,142</u>	<u>16,278,115</u>	<u>8,970,196</u>
Total liabilities	<u>92,654,918</u>	<u>88,388,470</u>	<u>141,434,870</u>	<u>86,055,891</u>	<u>234,089,788</u>	<u>174,444,361</u>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	41,210,966	25,294,237	111,652,338	111,044,036	152,863,304	136,338,273
Restricted	14,850,785	13,456,749	5,741,848	4,677,245	20,592,633	18,133,994
Unrestricted	<u>57,353,717</u>	<u>60,423,011</u>	<u>59,694,303</u>	<u>51,836,295</u>	<u>117,048,020</u>	<u>112,259,306</u>
Net assets	<u>\$113,415,468</u>	<u>\$ 99,173,997</u>	<u>\$177,088,489</u>	<u>\$167,557,576</u>	<u>\$290,503,957</u>	<u>\$266,731,573</u>



**Governmental activities.** Governmental activities increased the City's net assets by \$14,241,471, accounting for 59.9% of the total growth in the net assets of the City of Wilmington. Key elements of this increase are as follows:

- Revenues related to governmental activities increased by \$3,014,627 or 3.7% over the prior year despite a decrease of \$1,793,474 in room occupancy taxes and \$1,443,976 in overall grants and capital contributions. Furthermore, the reduction in overall grants and capital contributions was offset by a \$2,007,317 decrease in transit expenses largely due to the elimination of certain pass-thru grants received in prior years by the City on behalf of the Cape Fear Public Transportation Authority, a component unit of the City.
- Continued diligence in the collection of property taxes by maintaining a tax collection rate of 98.37% which is above the statewide average of 97.83% as reported for cities over 50,000 in population for the year ending June 30, 2005.
- Increase in sales tax revenues of \$1,453,079.
- Increase in investment earnings of \$1,781,489.
- Program revenues provided 18% of the support for governmental activities.
- Expenses related to governmental activities increased by \$3,439,284 or 5.2% over the prior year.

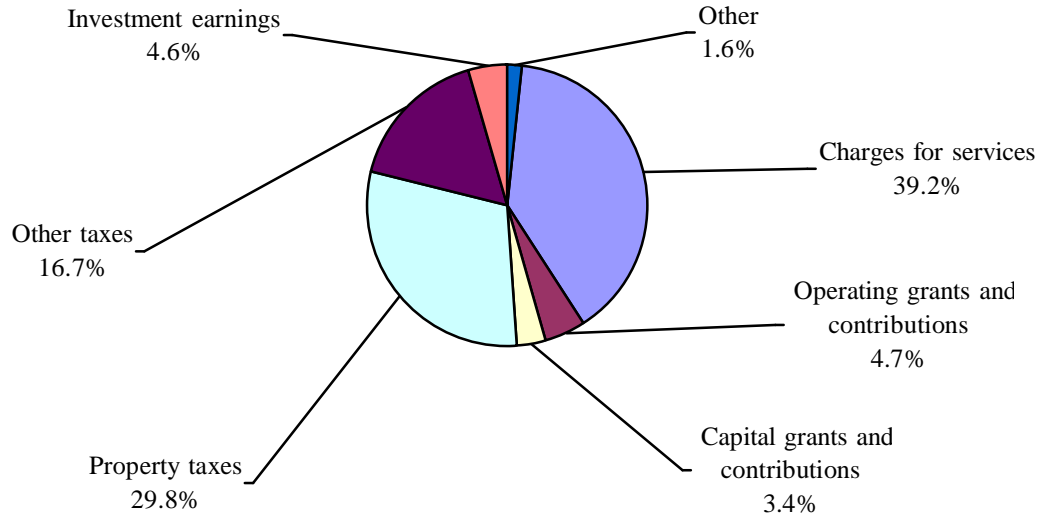
**Business-type activities.** Business-type activities increased the City of Wilmington's net assets by \$9,530,913, accounting for 40.1% of the total growth in the government-wide net assets. The largest increase in net assets was \$8,223,241 in the Water and Sewer Fund after \$2,418,202 in capital contributions. Key elements of the increase are as follows:

- Charges for services increased by \$3,761,863 or 8.7% over the prior year with approximately \$1,110,000 of that increase related to a rate adjustment on water and sewer usage.
- Investment earnings increased \$2,194,527 or 233% over the prior year.
- Expenses related to business-type activities increased by \$3,736,467 or 9.2% over the prior year.

**Changes in Net Assets**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 7,070,616	\$ 6,279,378	\$ 46,965,223	\$ 43,203,360	\$ 54,035,839	\$ 49,482,738
Operating grants and contributions	6,282,373	7,561,229	162,349	-	6,444,722	7,561,229
Capital grants and contributions	1,985,222	2,150,342	2,779,844	3,911,415	4,765,066	6,061,757
General revenues:						
Property taxes	41,072,872	39,525,332	-	-	41,072,872	39,525,332
Other taxes	23,011,720	23,092,652	-	-	23,011,720	23,092,652
Investment earnings	3,173,990	1,392,501	3,138,187	943,660	6,312,177	2,336,161
Other	2,090,222	1,670,954	75,350	-	2,165,572	1,670,954
Total revenues	<u>84,687,015</u>	<u>81,672,388</u>	<u>53,120,953</u>	<u>48,058,435</u>	<u>137,807,968</u>	<u>129,730,823</u>
Expenses:						
General government	15,587,565	13,797,417	-	-	15,587,565	13,797,417
Public safety	32,353,256	29,693,336	-	-	32,353,256	29,693,336
Transportation	7,353,292	7,173,171	-	-	7,353,292	7,173,171
Economic and physical development	3,688,117	4,092,091	-	-	3,688,117	4,092,091
Culture and recreation	5,884,529	5,481,105	-	-	5,884,529	5,481,105
Transit system	827,836	2,835,153	-	-	827,836	2,835,153
Hurricane disaster recovery	396,542	899,162	-	-	396,542	899,162
Interest and other charges	3,563,334	2,243,752	-	-	3,563,334	2,243,752
Water and sewer	-	-	24,423,115	22,296,851	24,423,115	22,296,851
Ground water utility	-	-	4,310,438	3,604,276	4,310,438	3,604,276
Solid waste management	-	-	6,818,100	6,761,069	6,818,100	6,761,069
Storm water management	-	-	5,523,127	5,292,644	5,523,127	5,292,644
Golf	-	-	2,398,299	832,772	2,398,299	832,772
Parking facilities	-	-	908,034	1,857,034	908,034	1,857,034
Total expenses	<u>69,654,471</u>	<u>66,215,187</u>	<u>44,381,113</u>	<u>40,644,646</u>	<u>114,035,584</u>	<u>106,859,833</u>
Increase in net assets before transfers	15,032,544	15,457,201	8,739,840	7,413,789	23,772,384	22,870,990
Transfers from (to) other funds	<u>(791,073)</u>	<u>(316,727)</u>	<u>791,073</u>	<u>316,727</u>	<u>-</u>	<u>-</u>
Increase in net assets	<u>14,241,471</u>	<u>15,140,474</u>	<u>9,530,913</u>	<u>7,730,516</u>	<u>23,772,384</u>	<u>22,870,990</u>
Net assets at beginning of year	<u>99,173,997</u>	<u>84,033,523</u>	<u>167,557,576</u>	<u>159,827,060</u>	<u>266,731,573</u>	<u>243,860,583</u>
Net assets at end of year	<u>\$ 113,415,468</u>	<u>\$ 99,173,997</u>	<u>\$ 177,088,489</u>	<u>\$ 167,557,576</u>	<u>\$ 290,503,957</u>	<u>\$ 266,731,573</u>

### Total Revenues



### **Financial Analysis of the City's Funds**

As noted earlier, the City of Wilmington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Wilmington's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Wilmington's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Wilmington. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$18,465,163 while total fund balance reached \$26,659,431. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 30.1% of total General Fund expenditures, while total fund balance represents 43.4% of that same amount.

The Building Improvements capital project fund has a reserved fund balance of \$12,407,221, a decrease of \$23,792,050 from the prior year. This decrease was primarily a result of the construction of the Police Headquarters.

At June 30, 2006, the governmental funds of the City of Wilmington reported a combined fund balance of \$81,931,720, an 18.5% decrease from the prior year. The General Fund, capital projects funds, debt service fund, and special revenue funds are included in this combined amount.

**General Fund Budgetary Highlights.** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more precise information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues (excluding transfers) exceeded budget estimates by \$3,622,290 for the fiscal year. The most significant budgetary variation was local option sales tax. Revenues from this source increased by \$1,453,079 or 9.8% over the prior year and exceeded budget estimates by \$1,776,524. The decrease in the City's share of the countywide sales tax distribution (based on ad valorem tax effort) from 23.00% to 22.89% was offset by an overall 11.9% increase in sales tax distributions in New Hanover County. The total local option sales tax levy is now 2.5 cents in New Hanover County.

Expenditures (excluding transfers) in the General Fund were \$3,746,940 less than the \$65,184,504 budget. The overall decrease from budget includes decreases in Transit System of approximately \$1,192,784, other operating expenditures of approximately \$1,024,448 and personnel expenditures of approximately \$871,802.

**Proprietary Funds.** The City of Wilmington's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The major enterprise funds are the Water and Sewer and Ground Water Utility funds. Unrestricted net assets of the Water and Sewer and Ground Water Utility funds at the end of the fiscal year amounted to \$44,920,198 and \$2,406,663, respectively. The unrestricted net assets of the other five proprietary funds totaled \$12,367,442.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Wilmington's investment in capital assets for its governmental and business-type activities as of June 30, 2006 was \$300,684,579 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The City has not included general infrastructure acquired prior to July 1, 2002. These capital assets will be included in the statement of net assets within the four-year period permitted by Governmental Accounting Standards Board Statement No. 34.

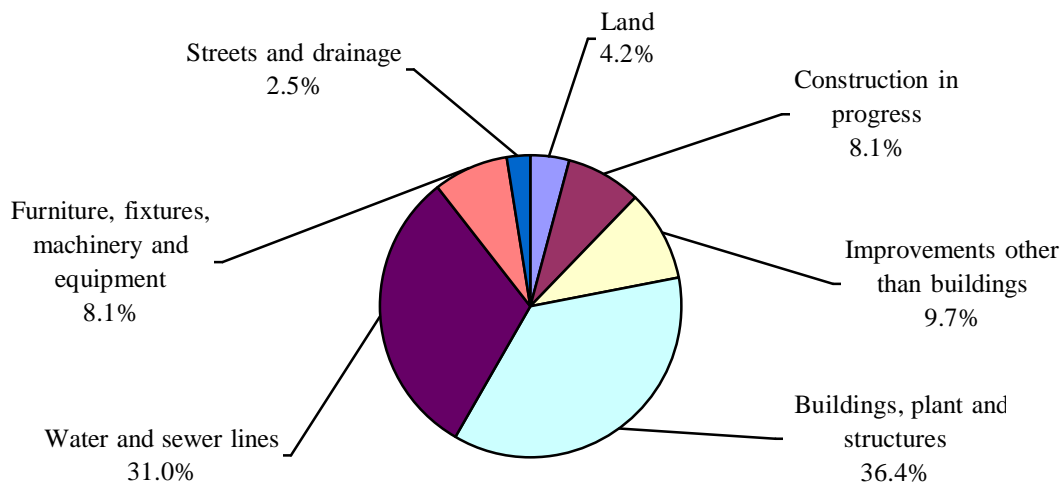
Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- An increase of \$16,889,660 in construction in progress for governmental activities represented the largest increase in governmental activity capital assets and was primarily comprised of the Police Headquarters building.
- The completion of the Operations Center, phase III and the purchase of the Convention Center site were largely responsible for the \$6,229,417 increase in buildings and structures and the \$5,130,178 increase in land in governmental activity capital assets.
- An increase of \$7,991,602 in construction in progress for business-type activities represented the largest increase in business-type activities capital assets and was primarily comprised of the Northside Wastewater Treatment Plant expansion.

**Capital Assets**  
**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 13,220,906	\$ 8,090,728	\$ 4,436,501	\$ 3,776,717	\$ 17,657,407	\$ 11,867,445
Construction in progress	19,590,237	2,700,577	14,704,815	6,713,213	34,295,052	9,413,790
Total non-depreciable assets	32,811,143	10,791,305	19,141,316	10,489,930	51,952,459	21,281,235
Improvements other than buildings	14,431,941	12,930,455	26,577,178	25,788,636	41,009,119	38,719,091
Buildings, plant and structures	50,749,822	44,520,405	102,886,597	101,703,424	153,636,419	146,223,829
Water and sewer lines	-	-	131,137,820	127,213,275	131,137,820	127,213,275
Furniture, fixtures, machinery and equipment	31,056,556	27,536,929	3,292,864	3,186,061	34,349,420	30,722,990
Streets and drainage	10,641,104	8,777,703	-	-	10,641,104	8,777,703
Total assets being depreciated	106,879,423	93,765,492	263,894,459	257,891,396	370,773,882	351,656,888
Accumulated depreciation	(39,257,694)	(35,309,179)	(82,784,068)	(76,114,792)	(122,041,762)	(111,423,971)
Total capital assets being depreciated, net	67,621,729	58,456,313	181,110,391	181,776,604	248,732,120	240,232,917
Total capital assets, net	<u>\$100,432,872</u>	<u>\$69,247,618</u>	<u>\$200,251,707</u>	<u>\$192,266,534</u>	<u>\$300,684,579</u>	<u>\$261,514,152</u>

**Capital Assets**



Additional information on the City's capital assets can be found in note 4 on pages 53-57 of this report.



**Long-term Liabilities.** As of June 30, 2006, the City of Wilmington had total bonded debt outstanding of \$113,789,118. Of this amount, \$43,385,000 is general obligation debt backed by the full faith and credit of the City. Of the general obligation debt a total of \$30,422,845 is paid with storm water and water and sewer system revenues, although the City's taxing authority is the true security to the bondholders in the form of general obligation bonds. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) of the water and sewer system.

### **Outstanding Long-term Liabilities General Obligation and Revenue Bonds**

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 12,962,155	\$ 15,251,701	\$ 30,422,845	\$ 33,598,299	\$ 43,385,000	\$ 48,850,000
Revenue bonds	-	-	70,404,118	18,418,416	70,404,118	18,418,416
Total	<u>\$ 12,962,155</u>	<u>\$ 15,251,701</u>	<u>\$100,826,963</u>	<u>\$ 52,016,715</u>	<u>\$113,789,118</u>	<u>\$ 67,268,416</u>

The City of Wilmington's total bonded debt increased by \$46,520,702 during the past fiscal year. The City issued \$62,400,000 in revenue bonds primarily for the construction of the Northside Wastewater Treatment Plant expansion and various other water and sewer system improvements and to advance refund \$9,235,000 of 1999 revenue bonds resulting in an overall increase in bonded debt.

At June 30, 2006, the general obligation debt was rated AA/AA/AA2 by Fitch, Standard and Poor's, and Moody's respectively. The revenue bonds of the Water and Sewer Fund have been rated AA-/AA-/A1 by Fitch, Standard and Poor's, and Moody's respectively. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for the City of Wilmington is \$712,415,000. The City has no authorized but unissued bonds at June 30, 2006.

Additional information on the City of Wilmington's long-term debt can be found in note 4 on pages 63-70 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- The City of Wilmington's unemployment rate of 3.5% at June 30, 2006 was below the State average of 4.6% and the national average of 4.5%.
- Continued strong growth in construction; building permits valued at \$382,022,000 or 4.3% of the appraised property values issued for fiscal year 2006.
- Sales tax receipts (county-wide) were up 11.9% over prior fiscal year.

All of these factors were included in preparing the City of Wilmington's budget for the 2007 fiscal year.

## **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities.** Property tax rate remained unchanged at .46 per \$100 for the 2007 fiscal year. The budget revenue estimate for fiscal year 2007 includes \$3,190,000 from unreserved fund balance. Budgeted expenditures, excluding transfers, in the General Fund are expected to rise 8.6% to \$68,001,114. The largest increments are in employee compensation, including funding compensation and benefits adjustments, as well as the addition of sixteen new positions.

**Business – type Activities.** The adopted Water and Sewer Fund budget increased by 20.6% for fiscal year 2007. Of the \$5,727,000 increase in the budget, \$4,300,000 is attributable to the increase in transfers to the water and sewer capital project fund. An overall 6.0% rate increase was adopted pursuant to a five-year plan of rate adjustments to support future systems improvements. The rate increase also applied to the Ground Water Utility Fund. Storm water fees were increased by 5.3% with per residence fees going from \$4.75 to \$5.00 per month.

### **Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Wilmington, 320 Chestnut Street, Wilmington, N.C. 28401.

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Assets**

**June 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 64,574,827	\$ 62,479,421	\$ 127,054,248	\$ 614,182
Taxes receivable, net	1,079,274	-	1,079,274	-
Accounts receivable, net	285,633	5,815,975	6,101,608	104,212
Other receivables	803,274	876,934	1,680,208	-
Internal balances	(91,612)	91,612	-	-
Due from component unit	118,604	-	118,604	-
Due from other governments	8,925,959	1,922,779	10,848,738	497,087
Inventories	614,282	1,134,814	1,749,096	70,463
Deferred charges, net	921,148	1,823,484	2,744,632	-
Water availability rights, net	-	2,160,996	2,160,996	-
Notes receivable	11,900,600	-	11,900,600	-
Restricted assets:				
Cash and cash equivalents	16,141,943	41,690,173	57,832,116	-
Other accounts receivable	77,655	275,464	353,119	-
Net pension asset	285,927	-	285,927	-
Capital assets:				
Land and construction in progress	32,811,143	19,141,316	51,952,459	195,302
Other capital assets, net of accumulated depreciation	67,621,729	181,110,391	248,732,120	5,336,951
Total assets	<u>206,070,386</u>	<u>318,523,359</u>	<u>524,593,745</u>	<u>6,818,197</u>
<b>LIABILITIES</b>				
Accounts payable	4,497,004	7,014,741	11,511,745	63,342
Due to management company	-	-	-	972,531
Due to other governments	-	47,302	47,302	-
Due to primary government	-	-	-	118,604
Accrued liabilities	2,843,565	681,591	3,525,156	49,558
Customer and escrow deposits	752,905	364,893	1,117,798	-
Unearned revenues	22,029	54,085	76,114	40,800
Long-term liabilities:				
Due within one year	10,159,015	6,752,392	16,911,407	-
Due in more than one year	74,380,400	126,519,866	200,900,266	-
Total liabilities	<u>92,654,918</u>	<u>141,434,870</u>	<u>234,089,788</u>	<u>1,244,835</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	41,210,966	111,652,338	152,863,304	5,532,253
Restricted for:				
Community development housing loans	8,995,250	-	8,995,250	-
Law enforcement grants and contributions	340,798	-	340,798	-
Firemen's relief	126,764	-	126,764	-
Capital projects	77,655	1,830,928	1,908,583	-
Water and sewer facility fees	-	3,910,920	3,910,920	-
Convention center facility	5,310,318	-	5,310,318	-
Unrestricted	<u>57,353,717</u>	<u>59,694,303</u>	<u>117,048,020</u>	<u>41,109</u>
Net assets	<u>\$ 113,415,468</u>	<u>\$ 177,088,489</u>	<u>\$ 290,503,957</u>	<u>\$ 5,573,362</u>

See notes to financial statements.

# CITY OF WILMINGTON, NORTH CAROLINA

## Statement of Activities

**Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 15,587,565	\$ 4,025,530	\$ -	\$ -
Public safety	32,353,256	675,317	369,060	320,587
Transportation	7,353,292	1,710,751	3,422,847	1,664,635
Economic and physical development	3,688,117	158,145	1,724,976	-
Cultural and recreational	5,884,529	500,873	50,125	-
Transit system	827,836	-	-	-
Hurricane disaster recovery	396,542	-	715,365	-
Interest and other charges	3,563,334	-	-	-
Total governmental activities	<u>69,654,471</u>	<u>7,070,616</u>	<u>6,282,373</u>	<u>1,985,222</u>
Business-type activities:				
Water and sewer	24,423,115	27,493,488	89,828	2,418,202
Ground water utility	4,310,438	4,393,099	-	-
Solid waste management	6,818,100	6,566,883	-	-
Storm water management	5,523,127	5,698,434	72,521	361,642
Parking facilities	2,398,299	1,866,433	-	-
Golf	908,034	946,886	-	-
Total business-type activities	<u>44,381,113</u>	<u>46,965,223</u>	<u>162,349</u>	<u>2,779,844</u>
Total primary government	<u>\$ 114,035,584</u>	<u>\$ 54,035,839</u>	<u>\$ 6,444,722</u>	<u>\$ 4,765,066</u>
Component unit	<u>\$ 6,066,375</u>	<u>\$ 1,672,180</u>	<u>\$ 2,600,321</u>	<u>\$ 326,301</u>

### General revenues:

Ad valorem taxes  
 Room occupancy tax  
 Grants and contributions not restricted to specific programs  
 Operating subsidy from primary government  
 Operating subsidy from other governments  
 Local option sales tax  
 Franchise tax  
 Rental vehicle tax  
 Investment earnings  
 Miscellaneous

Transfers from (to) other funds

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (11,562,035)	\$ -	\$ (11,562,035)	\$ -
(30,988,292)	-	(30,988,292)	-
(555,059)	-	(555,059)	-
(1,804,996)	-	(1,804,996)	-
(5,333,531)	-	(5,333,531)	-
(827,836)	-	(827,836)	-
318,823	-	318,823	-
(3,563,334)	-	(3,563,334)	-
(54,316,260)	-	(54,316,260)	-
-	5,578,403	5,578,403	-
-	82,661	82,661	-
-	(251,217)	(251,217)	-
-	609,470	609,470	-
-	(531,866)	(531,866)	-
-	38,852	38,852	-
-	5,526,303	5,526,303	-
(54,316,260)	5,526,303	(48,789,957)	-
-	-	-	(1,467,573)
41,072,872	-	41,072,872	-
1,758,422	-	1,758,422	-
1,646,134	-	1,646,134	-
-	-	-	813,204
-	-	-	145,225
16,252,524	-	16,252,524	-
4,829,914	-	4,829,914	-
170,860	-	170,860	-
3,173,990	3,138,187	6,312,177	10,979
444,088	75,350	519,438	-
(791,073)	791,073	-	-
68,557,731	4,004,610	72,562,341	969,408
14,241,471	9,530,913	23,772,384	(498,165)
99,173,997	167,557,576	266,731,573	6,071,527
\$ 113,415,468	\$ 177,088,489	\$ 290,503,957	\$ 5,573,362

# CITY OF WILMINGTON, NORTH CAROLINA

## Balance Sheet - Governmental Funds

**June 30, 2006**

	General	Building Improvements Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 22,420,981	\$ 4,282,917	\$ 29,990,982	\$ 56,694,880
Taxes receivable, net	1,079,274	-	-	1,079,274
Accounts receivable, net	284,333	-	1,300	285,633
Other receivables	64,090	108,079	299,039	471,208
Due from other funds	-	8,501	299,588	308,089
Due from component unit	-	76,506	66,752	143,258
Due from other governments	6,960,924	352,849	1,611,620	8,925,393
Inventories	500,012	-	-	500,012
Notes receivable	255,120	-	11,645,480	11,900,600
Restricted assets:				
Cash and cash equivalents	-	11,002,154	-	11,002,154
Total assets	<u>\$ 31,564,734</u>	<u>\$ 15,831,006</u>	<u>\$ 43,914,761</u>	<u>\$ 91,310,501</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 425,491	\$ 3,423,785	\$ 286,218	\$ 4,135,494
Due to other funds	8,991	-	390,710	399,701
Due to component unit	24,654	-	-	24,654
Accrued liabilities	2,293,306	-	604	2,293,910
Customer and escrow deposits	577,247	-	175,658	752,905
Deferred revenues	1,575,614	-	196,503	1,772,117
Total liabilities	<u>4,905,303</u>	<u>3,423,785</u>	<u>1,049,693</u>	<u>9,378,781</u>
Fund balances:				
Reserved for encumbrances	626,129	7,515,650	1,869,840	10,011,619
Reserved for inventories	500,012	-	-	500,012
Reserved by State statute	7,068,127	545,935	2,152,700	9,766,762
Reserved for loans	-	-	13,562,969	13,562,969
Reserved for firemen's relief	-	-	126,764	126,764
Reserved for capital projects	-	4,345,636	10,973,702	15,319,338
Reserved for debt service	-	-	6,380,921	6,380,921
Reserved for convention center facility	-	-	5,310,319	5,310,319
Unreserved, reported in:				
General Fund	18,465,163	-	-	18,465,163
Nonmajor special revenue funds	-	-	2,487,853	2,487,853
Total fund balances	<u>26,659,431</u>	<u>12,407,221</u>	<u>42,865,068</u>	<u>81,931,720</u>
Total liabilities and fund balances	<u>\$ 31,564,734</u>	<u>\$ 15,831,006</u>	<u>\$ 43,914,761</u>	<u>\$ 91,310,501</u>

(Continued)



**CITY OF WILMINGTON, NORTH CAROLINA**

**Balance Sheet -  
Governmental Funds (Continued)**

**June 30, 2006**

Total fund balances - governmental funds	\$ 81,931,720
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	95,524,613
Internal services funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	10,979,872
Liabilities for earned but deferred revenues in fund statements.	1,750,088
Long-term liabilities including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(77,393,683)
Miscellaneous adjustments to net assets including room occupancy tax and investment income receivables and pension assets not reported in the governmental funds.	<u>622,858</u>
Net assets - governmental activities	<u>\$ 113,415,468</u>

See notes to financial statements.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**

**Year Ended June 30, 2006**

	General	Building Improvements Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 41,066,135	\$ -	\$ -	\$ 41,066,135
Other taxes	21,253,298	-	2,274,818	23,528,116
Unrestricted intergovernmental	1,409,726	-	-	1,409,726
Restricted intergovernmental	4,053,781	4,104	2,673,968	6,731,853
Licenses and permits	3,433,560	-	-	3,433,560
Sales and services	4,887,896	-	-	4,887,896
Fines and forfeits	98,193	-	-	98,193
Investment earnings	1,203,475	952,585	847,811	3,003,871
Donations	-	-	265,883	265,883
Miscellaneous	242,926	950	1,323,610	1,567,486
Total revenues	<u>77,648,990</u>	<u>957,639</u>	<u>7,386,090</u>	<u>85,992,719</u>
Expenditures:				
Current:				
General government	15,877,553	12,475,783	39,137	28,392,473
Public safety	31,296,633	16,772,906	562,295	48,631,834
Transportation	5,921,835	-	2,613,819	8,535,654
Economic and physical development	2,321,324	-	1,708,454	4,029,778
Cultural and recreational	4,795,841	-	556,133	5,351,974
Transit system	827,836	-	-	827,836
Hurricane disaster recovery	396,542	-	-	396,542
Debt service:				
Principal retirement	-	-	4,658,821	4,658,821
Interest and other charges	-	-	3,355,149	3,355,149
Total expenditures	<u>61,437,564</u>	<u>29,248,689</u>	<u>13,493,808</u>	<u>104,180,061</u>
Excess of revenues over (under) expenditures	<u>16,211,426</u>	<u>(28,291,050)</u>	<u>(6,107,718)</u>	<u>(18,187,342)</u>
Other financing sources (uses):				
Transfers from other funds	-	4,499,000	15,035,201	19,534,201
Transfers to other funds	(18,816,639)	-	(1,507,876)	(20,324,515)
Issuance of other long-term obligation	273,803	-	-	273,803
Total other financing sources (uses)	<u>(18,542,836)</u>	<u>4,499,000</u>	<u>13,527,325</u>	<u>(516,511)</u>
Net change in fund balances	(2,331,410)	(23,792,050)	7,419,607	(18,703,853)
Fund balances at beginning of year	28,920,845	36,199,271	35,445,461	100,565,577
Change in reserve for inventories	69,996	-	-	69,996
Fund balances at end of year	<u>\$ 26,659,431</u>	<u>\$ 12,407,221</u>	<u>\$ 42,865,068</u>	<u>\$ 81,931,720</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds (Continued)**

**Year Ended June 30, 2006**

Net change in fund balances - total governmental funds.	\$ (18,703,853)
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Amounts reported for governmental activities in the statement of activities  
are different because:

Change in fund balance due to change in reserve for inventory	69,996
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, including amounts for donations and disposals.	29,311,642
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(473,480)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,267,500
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	62,151
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Internal service funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The net revenue of these activities are reported with governmental activities.	(262,120)
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This amount represents the difference in funds contributed to the special separation allowance for law enforcement officers below the actuarially determined annual pension cost for the current year.	<u>(30,365)</u>
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Change in net assets - governmental activities	<u>\$ 14,241,471</u>
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See notes to financial statements.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Annual Budget and Actual - General Fund**

**Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes:				
Ad valorem tax	\$ 40,526,112	\$ 40,526,112	\$ 41,066,135	\$ 540,023
Local option sales tax	14,476,000	14,476,000	16,252,524	1,776,524
Franchise tax	4,845,000	4,845,000	4,829,914	(15,086)
Rental vehicle tax	180,000	180,000	170,860	(9,140)
Unrestricted intergovernmental	1,066,850	1,066,850	1,409,726	342,876
Restricted intergovernmental	4,763,866	4,763,866	4,053,781	(710,085)
Licenses and permits	2,945,000	2,945,000	3,433,560	488,560
Sales and services	4,425,772	4,425,772	4,887,896	462,124
Fines and forfeits	55,000	55,000	98,193	43,193
Interest earnings	480,000	480,000	1,203,475	723,475
Miscellaneous	165,000	263,100	242,926	(20,174)
Total revenues	<u>73,928,600</u>	<u>74,026,700</u>	<u>77,648,990</u>	<u>3,622,290</u>
Expenditures:				
Current:				
General government:				
City Council and Clerk	332,645	341,445	329,078	12,367
City Manager	1,262,085	1,253,285	1,187,252	66,033
City Attorney	718,175	718,175	667,613	50,562
Human Resource Management	669,590	669,590	674,376	(4,786)
Finance	2,379,612	2,379,612	2,121,068	258,544
Information Technology Services	1,522,519	1,522,519	1,486,864	35,655
Development Services	3,372,325	3,372,325	3,163,692	208,633
Public Services	2,077,966	2,080,616	1,939,334	141,282
Contributions to other agencies	187,762	196,162	188,617	7,545
Nondepartmental	3,493,173	4,395,281	4,119,659	275,622
Total	<u>16,015,852</u>	<u>16,929,010</u>	<u>15,877,553</u>	<u>1,051,457</u>
Public safety:				
Police	19,373,702	19,424,102	19,024,703	399,399
Fire	12,059,944	12,061,444	12,271,930	(210,486)
Total	<u>31,433,646</u>	<u>31,485,546</u>	<u>31,296,633</u>	<u>188,913</u>
Transportation:				
Traffic engineering	3,654,249	3,610,264	3,017,914	592,350
Streets	1,838,844	1,836,194	1,724,419	111,775
Storm water management fee	1,179,502	1,179,502	1,179,502	-
Total	<u>6,672,595</u>	<u>6,625,960</u>	<u>5,921,835</u>	<u>704,125</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Annual Budget and Actual - General Fund (Continued)**

**Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures: (continued)				
Current: (continued)				
Economic and physical development:				
Economic and community development	\$ 2,223,241	\$ 2,223,241	\$ 1,941,523	\$ 281,718
Contributions to other agencies	957,301	793,793	379,801	413,992
Total	<u>3,180,542</u>	<u>3,017,034</u>	<u>2,321,324</u>	<u>695,710</u>
Cultural and recreational:				
Parks and recreation	4,797,134	4,800,134	4,489,641	310,493
Contributions to other agencies	306,200	306,200	306,200	-
Total	<u>5,103,334</u>	<u>5,106,334</u>	<u>4,795,841</u>	<u>310,493</u>
Transit system:				
Cape Fear Public Transportation Authority	<u>2,920,620</u>	<u>2,020,620</u>	<u>827,836</u>	<u>1,192,784</u>
Hurricane disaster recovery	<u>-</u>	<u>-</u>	<u>396,542</u>	<u>(396,542)</u>
Total expenditures	<u>65,326,589</u>	<u>65,184,504</u>	<u>61,437,564</u>	<u>3,746,940</u>
Excess of revenues over expenditures	<u>8,602,011</u>	<u>8,842,196</u>	<u>16,211,426</u>	<u>7,369,230</u>
Other financing sources (uses):				
Transfers from other funds	860,000	860,000	-	(860,000)
Transfers to other funds	(10,845,314)	(18,845,499)	(18,816,639)	28,860
Issuance of other long-term obligation	-	-	273,803	273,803
Appropriated fund balance	<u>1,383,303</u>	<u>9,143,303</u>	<u>-</u>	<u>(9,143,303)</u>
Total other financing uses	<u>(8,602,011)</u>	<u>(8,842,196)</u>	<u>(18,542,836)</u>	<u>(9,700,640)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,331,410)</u>	<u>\$ (2,331,410)</u>
Fund balance at beginning of year			28,920,845	
Change in reserve for inventories			<u>69,996</u>	
Fund balance at end of year			<u>\$ 26,659,431</u>	

See notes to financial statements.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Assets -  
Proprietary Funds**

**June 30, 2006**

	<b>Enterprise Funds</b>		
	<u>Water and Sewer Fund</u>	<u>Ground Water Utility Fund</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 46,104,384	\$ 1,683,047	\$ 14,691,990
Accounts receivable:			
Customers, net	4,898,588	854,741	62,646
Other	714,635	15,589	146,710
Due from other funds	91,612	-	-
Due from other governments	1,833,370	71	89,338
Inventory of materials and supplies	<u>1,069,073</u>	<u>-</u>	<u>65,741</u>
Total current assets	<u>54,711,662</u>	<u>2,553,448</u>	<u>15,056,425</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	40,708,149	97,593	884,431
Other accounts receivable	<u>275,464</u>	<u>-</u>	<u>-</u>
Total restricted assets	<u>40,983,613</u>	<u>97,593</u>	<u>884,431</u>
Capital assets:			
Land	2,201,907	368,464	1,866,130
Improvements other than buildings	-	-	26,577,178
Buildings, plant and structures	87,621,037	2,738,955	12,526,605
Water and sewer lines	111,875,862	19,261,958	-
Furniture, fixtures, machinery and equipment	2,667,928	-	624,936
Construction in progress	11,957,801	-	2,747,014
Less accumulated depreciation	<u>(63,478,470)</u>	<u>(2,948,636)</u>	<u>(16,356,962)</u>
Total capital assets, net of accumulated depreciation	<u>152,846,065</u>	<u>19,420,741</u>	<u>27,984,901</u>
Other assets:			
Deferred charges, net	1,444,842	201,756	176,886
Water availability rights, net	<u>2,160,996</u>	<u>-</u>	<u>-</u>
Total other assets	<u>3,605,838</u>	<u>201,756</u>	<u>176,886</u>
Total noncurrent assets	<u>197,435,516</u>	<u>19,720,090</u>	<u>29,046,218</u>
Total assets	<u>252,147,178</u>	<u>22,273,538</u>	<u>44,102,643</u>

<u>Total</u>	<u>Internal Service Funds</u>
\$ 62,479,421	\$ 7,879,947
5,815,975	-
876,934	72,790
91,612	-
1,922,779	566
<u>1,134,814</u>	<u>114,270</u>
<u>72,321,535</u>	<u>8,067,573</u>
41,690,173	5,139,789
<u>275,464</u>	<u>-</u>
<u>41,965,637</u>	<u>5,139,789</u>
4,436,501	-
26,577,178	-
102,886,597	-
131,137,820	-
3,292,864	19,050,260
14,704,815	-
<u>(82,784,068)</u>	<u>(14,142,001)</u>
<u>200,251,707</u>	<u>4,908,259</u>
1,823,484	8,233
<u>2,160,996</u>	<u>-</u>
<u>3,984,480</u>	<u>8,233</u>
<u>246,201,824</u>	<u>10,056,281</u>
<u>318,523,359</u>	<u>18,123,854</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Net Assets -  
Proprietary Funds (Continued)**

**June 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Ground Water Utility Fund</b>	<b>Total Nonmajor Funds</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable:			
Trade	\$ 559,895	\$ 12,691	\$ 291,613
Contracts and retainage	6,004,330	-	146,212
Due to other governments	46,937	-	365
Accrued liabilities:			
Personnel costs	71,283	7,898	50,021
Interest	388,010	74,949	89,430
Current portion of long-term liabilities:			
Bonds payable	3,795,724	-	428,522
Installment obligations	-	720,000	684,606
Other long-term obligations	-	-	179,060
Accrued vacation and sick leave	589,479	31,717	323,284
Customer and escrow deposits	232,149	13,639	119,105
Unearned revenues	-	-	54,085
	<u>11,687,807</u>	<u>860,894</u>	<u>2,366,303</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable	94,262,802	-	3,106,784
Installment obligations	-	18,028,977	10,529,163
Other long-term obligations	-	-	376,751
Total noncurrent portion of long-term liabilities	<u>94,262,802</u>	<u>18,028,977</u>	<u>14,012,698</u>
Accrued vacation and sick leave	<u>149,457</u>	<u>5,891</u>	<u>60,041</u>
	<u>94,412,259</u>	<u>18,034,868</u>	<u>14,072,739</u>
Total noncurrent liabilities			
Total liabilities	<u>106,100,066</u>	<u>18,895,762</u>	<u>16,439,042</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	96,940,530	971,113	13,740,695
Restricted for:			
Capital projects	275,464	-	1,555,464
Water and sewer facility fees	3,910,920	-	-
Unrestricted	<u>44,920,198</u>	<u>2,406,663</u>	<u>12,367,442</u>
	<u>\$ 146,047,112</u>	<u>\$ 3,377,776</u>	<u>\$ 27,663,601</u>
Net assets			

See notes to financial statements.



<u>Total</u>	<u>Internal Service Funds</u>
\$ 864,199	\$ 361,510
6,150,542	-
47,302	-
129,202	6,154
552,389	19,956
4,224,246	-
1,404,606	-
179,060	1,593,263
944,480	65,938
364,893	-
54,085	-
<u>14,915,004</u>	<u>2,046,821</u>
97,369,586	-
28,558,140	-
376,751	5,084,750
<u>126,304,477</u>	<u>5,084,750</u>
215,389	12,411
<u>126,519,866</u>	<u>5,097,161</u>
<u>141,434,870</u>	<u>7,143,982</u>
111,652,338	3,378,268
1,830,928	-
3,910,920	-
<u>59,694,303</u>	<u>7,601,604</u>
<u>\$ 177,088,489</u>	<u>\$ 10,979,872</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Proprietary Funds**

**Year Ended June 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Ground Water Utility Fund</b>	<b>Total Nonmajor Funds</b>
Revenues:			
Charges for services	\$ 25,713,732	\$ 4,345,304	\$ 15,042,326
Other operating revenues	<u>1,779,756</u>	<u>47,795</u>	<u>36,310</u>
Total operating revenues	<u>27,493,488</u>	<u>4,393,099</u>	<u>15,078,636</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	7,024,642	759,000	5,076,078
Materials and fuels consumed	2,290,608	51,315	1,693,308
Services	996,578	51,213	1,757,962
Utilities	1,390,406	45,618	78,306
Water purchases	827,063	1,755,714	-
Depreciation	4,352,347	453,712	1,991,531
Amortization	162,576	11,208	8,208
Other operating expenses	<u>4,218,113</u>	<u>146,514</u>	<u>4,098,949</u>
Total operating expenses	<u>21,262,333</u>	<u>3,274,294</u>	<u>14,704,342</u>
Operating income (loss)	<u>6,231,155</u>	<u>1,118,805</u>	<u>374,294</u>
Nonoperating revenues (expenses):			
Investment earnings	2,644,079	80,793	413,315
Hurricane disaster assistance	89,828	-	72,521
Interest and other charges	(3,160,782)	(1,036,144)	(538,821)
Gain on retirement of capital assets	<u>-</u>	<u>-</u>	<u>75,350</u>
Total nonoperating revenues (expenses)	<u>(426,875)</u>	<u>(955,351)</u>	<u>22,365</u>
Income (loss) before capital contributions, special item and transfers	5,804,280	163,454	396,659
Capital contributions	2,418,202	-	361,642
Special item: Construction in progress abandonment, net	-	-	(404,397)
Transfers from other funds	759	-	790,314
Transfers to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	8,223,241	163,454	1,144,218
Net assets at beginning of year	<u>137,823,871</u>	<u>3,214,322</u>	<u>26,519,383</u>
Net assets at end of year	<u>\$ 146,047,112</u>	<u>\$ 3,377,776</u>	<u>\$ 27,663,601</u>

See notes to financial statements.



**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Cash Flows -  
Proprietary Funds**

**Year Ended June 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Ground Water Utility Fund</b>	<b>Total Nonmajor Funds</b>
Cash flows from operating activities:			
Receipts from customers and users	\$ 24,305,128	\$ 4,255,448	\$ 13,843,575
Receipts from interfund services provided	1,755,714	-	1,179,502
Payments to suppliers	(9,324,199)	(256,738)	(6,908,127)
Payments to or on behalf of employees	(6,945,268)	(751,637)	(5,041,638)
Payments for interfund services used	(387,462)	(1,794,217)	(862,181)
Net cash provided by operating activities	<u>9,403,913</u>	<u>1,452,856</u>	<u>2,211,131</u>
Cash flows from noncapital and related financing activities:			
Transfers from other funds	-	-	790,314
Hurricane disaster assistance	-	-	72,521
Net cash provided by noncapital and related financing activities	<u>-</u>	<u>-</u>	<u>862,835</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(9,070,086)	-	(1,413,729)
Proceeds from other long-term obligations	-	-	864,000
Proceeds from refunding installment obligations	-	96,220	-
Proceeds from refunding bonds	156,001	-	-
Proceeds from bonds	55,218,047	-	-
Principal payments on bonds	(3,926,230)	-	(428,521)
Principal payments on installment obligations	-	(640,000)	(241,431)
Principal payments on other long-term obligations	(22,158)	-	(197,394)
Interest and other charges	(2,772,104)	(1,032,940)	(540,917)
Issuance costs on installment obligations	-	(91,112)	-
Issuance costs on bonds	(1,120,874)	-	-
Proceeds from retirement of capital assets	-	-	75,350
Capital contributions	815,328	-	84,446
Net cash provided by (used in) capital and related financing activities	<u>39,277,924</u>	<u>(1,667,832)</u>	<u>(1,798,196)</u>
Cash flows from investing activities:			
Investment earnings	<u>2,249,477</u>	<u>81,666</u>	<u>395,281</u>
Net increase (decrease) in cash and cash equivalents	50,931,314	(133,310)	1,671,051
Cash and cash equivalents at beginning of year	<u>35,881,219</u>	<u>1,913,950</u>	<u>13,905,370</u>
Cash and cash equivalents at end of year	<u>\$ 86,812,533</u>	<u>\$ 1,780,640</u>	<u>\$ 15,576,421</u>
Reconciliation to combining balance sheet:			
Cash and cash equivalents	\$ 46,104,384	\$ 1,683,047	\$ 14,691,990
Restricted cash and cash equivalents	<u>40,708,149</u>	<u>97,593</u>	<u>884,431</u>
Total cash and cash equivalents	<u>\$ 86,812,533</u>	<u>\$ 1,780,640</u>	<u>\$ 15,576,421</u>

<u>Total</u>	<u>Internal Service Funds</u>
\$ 42,404,151	\$ 415,244
2,935,216	3,247,225
(16,489,064)	(1,912,195)
(12,738,543)	(633,356)
<u>(3,043,860)</u>	<u>(3,050)</u>
13,067,900	1,113,868
790,314	-
<u>72,521</u>	<u>-</u>
862,835	-
(10,483,815)	(3,332,545)
864,000	5,797,386
96,220	-
156,001	-
55,218,047	-
(4,354,751)	-
(881,431)	-
(219,552)	-
(4,345,961)	(58,753)
(91,112)	(10,291)
(1,120,874)	-
75,350	87,260
<u>899,774</u>	<u>-</u>
35,811,896	2,483,057
2,726,424	271,141
52,469,055	3,868,066
<u>51,700,539</u>	<u>9,151,670</u>
<u>\$ 104,169,594</u>	<u>\$ 13,019,736</u>
\$ 62,479,421	\$ 7,879,947
<u>41,690,173</u>	<u>5,139,789</u>
<u>\$ 104,169,594</u>	<u>\$ 13,019,736</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Cash Flows -  
Proprietary Funds (Continued)**

**Year Ended June 30, 2006**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Ground Water Utility Fund</b>	<b>Total Nonmajor Funds</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 6,231,155	\$ 1,118,805	\$ 374,294
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,514,923	464,920	1,999,739
Changes in assets and liabilities:			
Accounts receivable	(1,227,792)	(140,321)	(33,480)
Due from other governments	(233,945)	(55)	13,249
Inventory of materials and supplies	(42,131)	-	26,779
Accounts payable and accrued liabilities	73,327	1,582	(156,542)
Accrued vacation and sick leave	59,285	5,200	22,420
Customer and escrow deposits	29,091	2,725	-
Deferred revenues	-	-	(35,328)
Net cash provided by operating activities	<u>\$ 9,403,913</u>	<u>\$ 1,452,856</u>	<u>\$ 2,211,131</u>
Supplemental disclosure of noncash investing, capital and related financing activities:			
Capital assets acquired on account	\$ 4,552,612	\$ -	\$ (189,593)
Proceeds from refunding bonds	10,170,102	-	-
Payment to redeem outstanding bonds	(10,014,100)	-	-
Proceeds from refunding installment obligation	-	17,719,204	-
Payment to redeem outstanding installment obligation	-	(17,622,984)	-
Capital contributions from developers	143,567	-	196,000
Capital contributions receivable	1,459,307	-	81,196
Transfer of capital assets to governmental funds	-	-	-
Capital contributions from governmental funds	759	-	-
Construction in progress abandonment	-	-	404,397

See notes to financial statements.

<u>Total</u>	<u>Internal Service Funds</u>
\$ 7,724,254	\$ (516,781)
6,979,582	1,441,874
(1,401,593)	-
(220,751)	2,086
(15,352)	3,689
(81,633)	183,236
86,905	(236)
31,816	-
<u>(35,328)</u>	<u>-</u>
<u>\$ 13,067,900</u>	<u>\$ 1,113,868</u>

\$ 4,363,019	\$ -
10,170,102	-
(10,014,100)	-
17,719,204	-
(17,622,984)	-
339,567	-
1,540,503	-
-	(14,899)
759	-
404,397	-

**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Plan Net Assets -  
Pension Trust Fund**

**June 30, 2006**

	Law Enforcement Officers Pension Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents held in trust for pension benefits	\$ 772,361
Other receivables	<u>7,154</u>
Net assets	<u><u>\$ 779,515</u></u>

See notes to financial statements.



**CITY OF WILMINGTON, NORTH CAROLINA**

**Statement of Changes in Plan Net Assets -  
Pension Trust Fund**

**Year Ended June 30, 2006**

	Law Enforcement Officers Pension Trust Fund
Additions:	
Employer contributions	\$ 250,000
Investment earnings	<u>23,594</u>
Total additions	273,594
Deductions:	
Benefit payments	<u>195,404</u>
Change in net assets	78,190
Net assets at beginning of year	<u>701,325</u>
Net assets at end of year	<u><u>\$ 779,515</u></u>

See notes to financial statements.

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# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Wilmington, North Carolina (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

#### **A. REPORTING ENTITY**

The City of Wilmington is a municipal corporation, incorporated in 1739, located in the southeastern corner of North Carolina with a population of 97,135. The City has a Council-Manager form of government with a seven-member council, which includes an elected mayor. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable.

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units is combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. One component unit has no financial transactions or account balances and, therefore, does not appear in the financial statements. Each blended and discretely presented component unit has a June 30 year-end.

#### **BLENDED COMPONENT UNITS**

##### **Cape Fear Utilities, Inc. and Quality Water Supplies, Inc.:**

Cape Fear Utilities, Inc. and Quality Water Supplies, Inc., North Carolina nonprofit corporations, exist to provide and maintain a ground water utility system for citizens of Wilmington, North Carolina and the surrounding community. The City is the sole shareholder of each corporation and each of the corporations is governed by a board comprised of members of the City Council. The corporations have no other operations except for services provided to the City and are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The rates for user charges and the annual budget of the ground water utility system are approved by the City Council. Therefore the operations of these corporations are combined and reported as an enterprise fund. The corporations do not issue separate financial statements.

##### **Wilmington Future, Inc.:**

Wilmington Future, Inc. (the Corporation), a North Carolina nonprofit corporation, exists to issue tax-exempt obligations pursuant to the Internal Revenue Code of 1986, as amended. The Corporation is governed by a three-member Board of Directors and may, by Board action, dismiss members and appoint up to four additional members. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **A. REPORTING ENTITY (continued)**

##### **DISCRETELY PRESENTED COMPONENT UNIT**

##### **Cape Fear Public Transportation Authority**

Cape Fear Public Transportation Authority (Authority) is a public authority established under an interlocal agreement between New Hanover County (County) and the City of Wilmington to operate the County and City transportation facilities and provide transportation services throughout the City of Wilmington and up to 30 miles outside its corporate limits. The agreement effectively merged the transportation facilities and services provided by New Hanover County and the City of Wilmington.

The interlocal agreement between the County and the City is effective for two years beginning July 1, 2004 through June 30, 2006. The agreement may be terminated upon six months written notice to the other party. Unless notice of termination is provided the agreement shall be automatically renewed for successive five year terms. The agreement is currently in effect through June 30, 2011.

The Authority is governed by an eleven member board. The Authority board shall consist of five members appointed by the County, five members appointed by the City and one member appointed jointly by the County and City from a human service agency served by public transportation services.

Each proposed annual budget shall be submitted to the County and City for approval by the County Commissioners and City Council. The County and City shall provide annual funding to the Authority as their budgets permit. Any debt necessary for the maintenance, improvement or expansion of the Authority shall be incurred by the County or City for the benefit of the Authority. The Authority shall establish and revise, from time-to-time, schedules of rates, fees and charges for the use of the services of the Authority. City management is committed to the continued operation of the Authority.

The Authority's complete financial statements for the year ended June 30, 2006 may be obtained at their administrative offices:

Cape Fear Public Transportation Authority  
1110 Castle Street  
Wilmington, N.C. 28401

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. BASIS OF PRESENTATION

**Government-wide Statements:** The statement of net assets and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and parks and recreation.

**Building Improvements Fund.** The Building Improvements Fund accounts for resources used for the acquisition, renovation and construction of major capital improvements, other than those financed by proprietary funds.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. BASIS OF PRESENTATION (continued)

The City reports the following major proprietary funds:

**Water and Sewer Fund.** The Water and Sewer Fund accounts for the provision of water and sewer services by the City to all customers not covered by the Ground Water Utility Fund. The Water and Sewer Fund provides service to over 33,500 customers and is designed to be self-supporting.

**Ground Water Utility Fund.** The Ground Water Utility Fund accounts for the water services provided to the customers of Cape Fear Utilities, Inc. and Quality Water Supplies, Inc. The Ground Water Utility Fund provides service to over 14,800 customers and is designed to be self-supporting.

Additionally, the City reports the following fund types:

**Internal Service Funds.** The City's Internal Service Funds account for fleet management services and replacement of personal computers to other departments of the City on a cost reimbursement basis.

**Pension Trust Fund.** The City's Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, defined benefit, public safety employee retirement system.

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

In accordance with North Carolina General Statutes, all funds of the City and the Authority are maintained during the year using the modified accrual basis of accounting.

**Government-wide and Proprietary Fund Financial Statements.** The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)**

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, New Hanover County is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts in the County, including the City of Wilmington. For motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, the City's vehicle taxes for vehicles registered in New Hanover County from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable in these financial statements and are offset by deferred revenues. For vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which interest begins to accrue passed prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the City's operations during the 2007 fiscal year.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

#### **D. BUDGETARY DATA**

Budgets for the City and the Authority are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Debt Service Fund, enterprise funds, internal service funds and the Authority. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for special revenue funds and capital projects funds, including the enterprise capital projects funds which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY**

##### **DEPOSITS AND INVESTMENTS**

All deposits of the City and of the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the Authority may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

In accordance with State law, the City has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

##### **CASH AND CASH EQUIVALENTS**

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income; however, the City maintains separate investments of proceeds of bond issues and other financings. All cash and investment types, short-term and longer-term fixed income investments are essentially managed as demand deposits and are therefore considered to be cash and cash equivalents.

##### **RESTRICTED ASSETS**

Unexpended proceeds of the City's revenue bonds, certificates of participation and other long-term obligations are classified as restricted assets because their use is limited by bond covenants, bond indentures and other financing agreements to the purpose for which the debt was originally issued. Accrued interest related to restricted unexpended debt proceeds is also classified as restricted assets.

##### **AD VALOREM TAXES RECEIVABLE**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. For collection purposes, taxes receivable are written off at the end of ten years in accordance with North Carolina General Statutes.



# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **ALLOWANCES FOR DOUBTFUL ACCOUNTS**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the aging of account balances.

##### **INVENTORIES**

Inventories are maintained for major items used by the governmental funds, proprietary funds and the Authority in their operations. They are stated at cost (first-in, first-out) in the governmental funds and at the lower of cost (first-in, first-out) or market in the proprietary funds. Disbursements for inventory-type items in the General Fund are considered to be expenditures at the time of purchase. Inventory of the General Fund is shown on the balance sheet with an offsetting contra account, "Reserved for inventories", in the fund balance of the General Fund.

##### **CAPITAL ASSETS**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; furniture and equipment \$5,000; buildings and improvements, plant structures \$25,000; infrastructure and certain improvements other than buildings \$100,000. Infrastructure includes streets and drainage systems as well as water and sewer lines. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement No. 34, the City is required to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. Therefore, general infrastructure assets acquired prior to July 1, 2002 have not been included in these financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The City follows the policy of capitalizing interest as a component of the cost of proprietary fund type capital assets constructed for its own use in accordance with the guidelines of Statement of Financial Accounting Standards No. 62, and other related pronouncements. During the year ended June 30, 2006, a total of \$701,872 was capitalized in the Public Utilities Fund and \$123,519 was capitalized in the Storm Water Management Fund.

The Authority's capital assets are defined as those with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued)** **June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **CAPITAL ASSETS (continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset class</u>	<u>Estimated useful lives</u>	
Infrastructure (including water and sewer lines)	50	years
Buildings, plant, structures and improvements	40	years
Improvements other than buildings	20	years
Parking facilities plant and structures	20	years
Vehicles	5	years
Furniture and equipment	5	years

The interlocal agreement between the County and City that provides for the operation of transportation facilities and providing of transportation services requires that title to all personal property, equipment, fixtures and real property owned by the County and City shall remain with the current owner. For financial reporting purposes, the asset values and related accumulated depreciation for assets owned by the County and City are recorded as assets of the Authority.

When capital grant assets are disposed of, the federal government, through the Federal Transit Administration (FTA) program, must receive its proportional share of the fair market value of the assets. Property, plant and equipment are depreciated by the Authority using the straight-line method over the following estimated useful lives:

<u>Asset class</u>	<u>Estimated useful lives</u>	
Buildings and improvements	20	years
Buses	10	years
Other Vehicles	5-7	years
Furniture, fixtures, machinery and equipment	5-10	years

#### **INTANGIBLE ASSETS**

Intangible assets consist of water availability rights under an agreement the City entered into with a regional public authority. The agreement makes available to the City fifteen million gallons per day of raw water. The availability rights are being amortized over forty years, the life of the agreement.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City has entered into an interest rate swap agreement to modify interest rates on outstanding debt in the Water and Sewer Fund. Other than the net interest expense resulting from the agreement, no amounts are recorded in the financial statements.

##### **COMPENSATED ABSENCES**

Under the City's current personnel ordinance, full-time employees accrue vacation days based on years of service and may accumulate up to twice their annual accrual level on December 31<sup>st</sup> of each year. Any unused days not exceeding twice the annual accrual level will be paid upon termination of employment. Full time employees receive up to eleven paid holidays per year. If scheduled holidays can not be taken, employees may accumulate up to four days and be paid for any unused days upon request. Sick leave credits can be accumulated indefinitely and employees with five years continuous service shall be paid for 25% of their unused sick leave upon termination of employment. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **COMPENSATED ABSENCES (continued)**

As more fully described in Note 4, the Authority contracts with First Transit, Inc. to provide management services, including the furnishing of employees to operate and maintain the equipment. As of June 30, 2006 the Authority recorded a liability of \$27,894 for unused vacation benefits for employees of First Transit, Inc. and the Authority. Although sick leave may accumulate to a maximum of seventy-five days for employees of First Transit, Inc. and ninety days for Authority employees, it does not vest. The Authority has no obligation for accumulated sick leave until it is actually taken, therefore, no accrual for sick leave has been made. First Transit, Inc. provides other benefits that are reimbursed by agreement.

##### **MEDICAL SELF-INSURANCE PROGRAM**

The City is currently a self-insurer for group medical insurance. The City has contracted with Blue Cross and Blue Shield of North Carolina to administer the program. In addition, the City has a contract with Blue Cross and Blue Shield of North Carolina to provide for individual stop-loss and aggregate stop-loss charges and partial pooling of claims above a specified amount. The individual stop-loss and aggregate stop-loss provides a method by which the group limits claims charged to its account to 125% of expected claims. The partial pooling – specific loss pooling provides that during any one contract period the total accumulated claims expense paid for any one participant above \$150,000 will not be charged to the group during the remainder of that contract period for that participant. A provision of \$834,299 for estimated claims incurred but not reported as of June 30, 2006, is accrued in accordance with the guidelines of GASB Statement No. 10.

##### **WORKERS' COMPENSATION SELF-INSURANCE PROGRAM**

The City is currently a self-insurer for workers' compensation insurance. The City has contracted with Key Risk, Inc., a provider of claims administrative services, to administer the program. The program provides that the City would be responsible for the first \$300,000 of cost and/or benefits payable to employees (other than public safety) resulting from any one accident or event, regardless of the number of persons injured. For public safety employees (police and fire) the City is responsible for the first \$500,000 of cost and/or benefits. Specific excess reinsurance would provide coverage above these dual limits (\$300,000/\$500,000) up to maximum limits provided under the North Carolina Workers' Compensation Act. In addition, aggregate excess reinsurance would provide protection against cumulative retained losses during the year, capping retained losses at \$3,000,000. A provision of \$361,952 for estimated claims incurred as of June 30, 2006, is accrued in accordance with the guidelines of GASB Statement No. 10.

##### **NET ASSETS/FUND BALANCES**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **NET ASSETS/FUND BALANCES (continued)**

In the governmental fund financial statements, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

##### **Reserved:**

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders or contracts which remain unperformed at year-end.

Reserved for inventories - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred revenues.

Reserved for loans - portion of fund balance that is not available for appropriation because it represents the year-end fund balance of notes receivable, which are not expendable, available resources.

Reserved for firemen's relief - portion of fund balance that has been specifically set-aside to fund firemen's benefits.

Reserved for capital projects - represents the proceeds of debt obligations used to finance major capital improvements not yet completed and funds accumulated for future capital projects.

Reserved for debt service - represents amounts held for the future payment of general long-term debt principal and interest.

Reserved for Convention Center Facility - portion of fund balance representing proceeds from room occupancy tax specifically levied for construction of a convention center.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. ASSETS, LIABILITIES, NET ASSETS OR EQUITY (continued)**

##### **NET ASSETS/FUND BALANCES (continued)**

Unreserved:

The unreserved portion of fund balance is further detailed as either designated for a specific purpose or undesignated. Designated fund balance for specific purposes is as follows:

Subsequent year's expenditures	\$ 3,190,000
Self insurance	<u>750,000</u>
	<u>\$ 3,940,000</u>

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

#### **F. COMPARATIVE DATA**

Comparative data for the prior year has been presented in selected sections of the City's CAFR in order to provide an understanding of changes in the City's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations, or would cause the statements to be unduly complex or difficult to understand.

### **NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

#### **A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental funds balance sheet includes a reconciliation between total fund balances – governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One item of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of that item are as follows:

Bonds payable	\$ 12,962,155
Installment obligations	52,500,673
Unamortized issuance costs, premiums and similar items	1,056,593
Accrued interest payable	523,545
Other long-term obligations	5,720,487
Accrued vacation and sick leave	<u>4,630,230</u>
	<u>\$ 77,393,683</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

#### B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net assets - governmental activities as reported in the government-wide statement of activities. One item of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” Another item of that reconciliation states that “this is the amount by which capital outlays exceeded depreciation in the current period, including amounts for donations and disposals.”

The details of those items are as follows:

Capital outlay	\$ 30,823,641
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,500,664
Transfers of capital assets from proprietary funds increase net assets in the statement of activities, but do not appear in governmental funds because they are not financial resources.	14,140
The net book value of capital assets sold decreases net assets in the statement of activities, but does not appear in governmental funds because they are not financial resources.	(1,346)
Depreciation expense	<u>(3,025,457)</u>
	<u>\$ 29,311,642</u>

Another item of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this item are as follows:

Accrued room occupancy tax receivable	\$ (516,396)
Accrued interest receivable	(95,073)
Tax and other receipts deferred in funds	<u>137,989</u>
	<u>\$ (473,480)</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

#### B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds”. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

The details of this item are as follows:

Debt issued:

Issuance of other long-term obligations	\$ (273,803)
---	--------------

Principal payments:

Bonds payable	2,289,546
Installment obligations	1,228,569
Other long-term obligations	1,140,706
Amortization of issuance costs, premiums and similar items	<u>(117,518)</u>
	<u>\$ 4,267,500</u>

The reconciliation further states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this item are as follows:

Accrued vacation and sick leave	\$ 74,144
Accrued interest payable	<u>(11,993)</u>
	<u>\$ 62,151</u>

### NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### FUND BALANCE DEFICITS IN INDIVIDUAL FUNDS

The unreserved, undesignated fund balances in the governmental fund types include a deficit of \$122,665 in the Community Development Fund and \$412,535 in the Home Investment Partnership Fund. The Community Development Fund and the Home Investment Partnership Fund are included in the Special Revenue Funds. The deficit in the Special Revenue Funds will be eliminated with future reimbursements of federal and state grant funds.



# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS

#### A. ASSETS

##### DEPOSITS AND INVESTMENTS

All of the City's and the Authority's deposits are either insured or collateralized under the pooling method. Under the pooling method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the Authority, these deposits are considered to be held by each unit's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits.

Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the units or the escrow agents. Because of the inability to measure the exact amount of collateral pledged for the units under the pooling method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the pooling method. The City and the Authority have no policy regarding custodial credit risk for deposits and investments.

At June 30, 2006, the City's deposits had a carrying amount of \$15,056,660 and a bank balance of \$16,043,832. Of the bank balance, \$200,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand at June 30, 2006, was \$11,721.

At June 30, 2006, the Authority's deposits had a carrying amount of \$278,816 and a bank balance of \$281,089. Of the bank balance, \$100,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand at June 30, 2006, was \$650.

At June 30, 2006, the City's investments were as follows:

	Fair Value	Weighted Average Maturity (Years)
U.S. Government Treasuries	\$ 26,746,604	0.81
U.S. Government Agencies *	114,045,527	1.00
North Carolina Capital Management Trust-Cash Portfolio	<u>29,798,213</u>	N/A
Total fair value	<u>\$ 170,590,344</u>	
Portfolio weighted average maturity		0.79

\* Included in U.S. Government Agencies are callable securities. For weighted average maturity, it is assumed that these securities will be held to maturity.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### DEPOSITS AND INVESTMENTS (continued)

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturity of the City's investment portfolio to no more than 12 months. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

##### Credit Risk

The City had no formal policy on managing credit risk. As of June 30, 2006, the City's investments in the NCCMT Cash Portfolio carried a credit rating of AAAm by Standard & Poor's. The City's investments in US Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

##### Concentration of Credit Risk

The City's investment policy limits the amount that the City may invest in any one issuer to 25% of the City's total investments. More than 5 percent of the City's investments are in the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Farm Credit Bank securities. These investments are 22.4%, 14.5%, 15.0% and 15.0%, respectively, of the City's total investments.

At June 30, 2006, the Authority had \$334,716 invested with the NCCMTs Cash Portfolio which carried a credit rating of AAAm by Standard & Poor's. The Authority has no policy for managing interest rate risk or credit risk.

#### RECEIVABLES

Receivables at the government-wide level at June 30, 2006, were as follows:

	Taxes	Accounts	Other Governments	Notes	Other	Total
Governmental activities:						
General	\$ 1,701,785	\$ 284,333	\$ 6,960,924	\$ 255,120	\$ 84,720	\$ 9,286,882
Building Improvements	-	-	352,849	-	117,323	470,172
Other governmental	-	1,300	1,612,186	11,645,480	678,886	13,937,852
Total receivables	1,701,785	285,633	8,925,959	11,900,600	880,929	23,694,906
Allowance for doubtful accounts	(622,511)	-	-	-	-	(622,511)
Total governmental activities	<u>\$ 1,079,274</u>	<u>\$ 285,633</u>	<u>\$ 8,925,959</u>	<u>\$ 11,900,600</u>	<u>\$ 880,929</u>	<u>\$ 23,072,395</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### RECEIVABLES (continued)

	Taxes	Accounts	Other Governments	Notes	Other	Total
Business-type activities:						
Water and Sewer	\$ -	\$ 6,032,074	\$ 1,833,370	\$ -	\$ 990,099	\$ 8,855,543
Ground Water Utility	-	939,043	71	-	15,589	954,703
Other enterprise	-	400,894	89,338	-	146,710	636,942
Total receivables	-	7,372,011	1,922,779	-	1,152,398	10,447,188
Allowance for doubtful accounts	-	(1,556,036)	-	-	-	(1,556,036)
Total business-type activities	\$ -	\$ 5,815,975	\$ 1,922,779	\$ -	\$ 1,152,398	\$ 8,891,152

The amount due from other governments consists of the following:

#### Governmental activities:

Local government sales and use taxes	\$ 4,308,665
Utility Franchise Tax	1,126,334
Refund of sales and use tax paid	915,054
New Hanover County	1,382,066
Other grants and reimbursements	1,193,840
	<u>\$ 8,925,959</u>

#### Business-type activities:

Refund of sales and use tax paid	\$ 292,448
New Hanover County	1,459,307
Other grants and reimbursements	171,024
	<u>\$ 1,922,779</u>

The amount due from other governments for the Authority consists of the following:

Operating grants	\$ 331,998
Capital grants and contributions	154,026
New Hanover County	11,063
	<u>\$ 497,087</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2006, was as follows:

	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>June 30, 2006</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 8,090,728	\$ 5,130,178	\$ -	\$ -	\$ 13,220,906
Construction in progress	<u>2,700,577</u>	<u>17,101,869</u>	<u>(212,209)</u>	<u>-</u>	<u>19,590,237</u>
Total capital assets not being depreciated	<u>10,791,305</u>	<u>\$ 22,232,047</u>	<u>\$ (212,209)</u>	<u>\$ -</u>	<u>32,811,143</u>
Capital assets being depreciated:					
Improvements other than buildings	12,930,455	\$ 1,501,486	\$ -	\$ -	14,431,941
Buildings, plant and structures	44,520,405	6,229,417	-	-	50,749,822
Furniture, fixtures, machinery and equipment	27,536,929	4,042,709	(515,493)	(7,589)	31,056,556
Streets and drainage	<u>8,777,703</u>	<u>1,863,401</u>	<u>-</u>	<u>-</u>	<u>10,641,104</u>
Total capital assets being depreciated	<u>93,765,492</u>	<u>\$ 13,637,013</u>	<u>\$ (515,493)</u>	<u>\$ (7,589)</u>	<u>106,879,423</u>
Less accumulated depreciation for:					
Improvements other than buildings	2,744,290	\$ 684,060	\$ -	\$ -	3,428,350
Buildings, plant and structures	10,422,229	1,145,365	-	-	11,567,594
Furniture, fixtures, machinery and equipment	21,858,191	2,441,659	(509,927)	(6,830)	23,783,093
Streets and drainage	<u>284,469</u>	<u>194,188</u>	<u>-</u>	<u>-</u>	<u>478,657</u>
Total accumulated depreciation	<u>35,309,179</u>	<u>\$ 4,465,272</u>	<u>\$ (509,927)</u>	<u>\$ (6,830)</u>	<u>39,257,694</u>
Total capital assets being depreciated, net	<u>58,456,313</u>				<u>67,621,729</u>
Governmental activities capital assets, net	<u>\$ 69,247,618</u>				<u>\$ 100,432,872</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 1,133,890
Public safety	856,705
Transportation	243,090
Economic and physical development	3,536
Cultural and recreational	788,236
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,439,815</u>
	<u>\$ 4,465,272</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### CAPITAL ASSETS (continued)

Capital asset activity for the business-type activities for the year ended June 30, 2006, was as follows:

	July 1, 2005	Increases	Decreases	Transfers	June 30, 2006
Business-type activities:					
Water and sewer:					
Capital assets not being depreciated:					
Land	\$ 1,942,906	\$ 259,001	\$ -	\$ -	\$ 2,201,907
Construction in progress	<u>3,792,613</u>	<u>9,516,703</u>	<u>(1,351,515)</u>	<u>-</u>	<u>11,957,801</u>
Total capital assets not being depreciated	<u>5,735,519</u>	<u>\$ 9,775,704</u>	<u>\$ (1,351,515)</u>	<u>\$ -</u>	<u>14,159,708</u>
Capital assets being depreciated:					
Buildings, plant and structures	86,437,864	\$ 1,183,173	\$ -	\$ -	87,621,037
Water and sewer lines	107,951,317	3,924,545	-	-	111,875,862
Furniture, fixtures, machinery and equipment	<u>2,425,981</u>	<u>234,358</u>	<u>-</u>	<u>7,589</u>	<u>2,667,928</u>
Total capital assets being depreciated	<u>196,815,162</u>	<u>\$ 5,342,076</u>	<u>\$ -</u>	<u>\$ 7,589</u>	<u>202,164,827</u>
Less accumulated depreciation for:					
Buildings, plant and structures	26,407,809	\$ 2,148,456	\$ -	\$ -	28,556,265
Water and sewer lines	30,501,554	2,109,287	-	-	32,610,841
Furniture, fixtures, machinery and equipment	<u>2,209,930</u>	<u>94,604</u>	<u>-</u>	<u>6,830</u>	<u>2,311,364</u>
Total accumulated depreciation	<u>59,119,293</u>	<u>\$ 4,352,347</u>	<u>\$ -</u>	<u>\$ 6,830</u>	<u>63,478,470</u>
Total capital assets being depreciated, net	<u>137,695,869</u>				<u>138,686,357</u>
Water and sewer capital assets, net	<u>143,431,388</u>				<u>152,846,065</u>
Ground water:					
Capital assets not being depreciated:					
Land	<u>368,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>368,464</u>
Capital assets being depreciated:					
Buildings, plant and structures	2,738,955	\$ -	\$ -	\$ -	2,738,955
Water and sewer lines	<u>19,261,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,261,958</u>
Total capital assets being depreciated	<u>22,000,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,000,913</u>
Less accumulated depreciation for:					
Buildings, plant and structures	376,607	\$ 68,473	\$ -	\$ -	445,080
Water and sewer lines	<u>2,118,317</u>	<u>385,239</u>	<u>-</u>	<u>-</u>	<u>2,503,556</u>
Total accumulated depreciation	<u>2,494,924</u>	<u>\$ 453,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,948,636</u>
Total capital assets being depreciated, net	<u>19,505,989</u>				<u>19,052,277</u>
Ground water capital assets, net	<u>19,874,453</u>				<u>19,420,741</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### CAPITAL ASSETS (continued)

	July 1, 2005	Increases	Decreases	Transfers	June 30, 2006
Solid waste:					
Capital assets being depreciated:					
Furniture, fixtures, machinery and equipment	\$ 26,000	\$ -	\$ (26,000)	\$ -	\$ -
Less accumulated depreciation for:					
Furniture, fixtures, machinery and equipment	26,000	\$ -	\$ (26,000)	\$ -	-
Solid waste capital assets, net	-				-
Storm water:					
Capital assets not being depreciated:					
Land	-	\$ 400,783	\$ -	\$ -	400,783
Construction in progress	2,199,151	311,404	(3,965)	-	2,506,590
Total capital assets not being depreciated	2,199,151	\$ 712,187	\$ (3,965)	\$ -	2,907,373
Capital assets being depreciated:					
Improvements other than buildings	25,049,060	\$ 788,542	\$ -	\$ -	25,837,602
Furniture, fixtures, machinery and equipment	183,488	-	-	-	183,488
Total capital assets being depreciated	25,232,548	\$ 788,542	\$ -	\$ -	26,021,090
Less accumulated depreciation for:					
Improvements other than buildings	11,337,794	\$ 1,255,354	\$ -	\$ -	12,593,148
Furniture, fixtures, machinery and equipment	105,595	27,564	-	-	133,159
Total accumulated depreciation	11,443,389	\$ 1,282,918	\$ -	\$ -	12,726,307
Total capital assets being depreciated, net	13,789,159				13,294,783
Storm water capital assets, net	15,988,310				16,202,156
Golf:					
Capital assets not being depreciated:					
Land	109,393	\$ -	\$ -	\$ -	109,393
Capital assets being depreciated:					
Improvements other than buildings	739,576	\$ -	\$ -	\$ -	739,576
Buildings, plant and structures	290,903	-	-	-	290,903
Furniture, fixtures, machinery and equipment	463,281	-	(109,144)	-	354,137
Total capital assets being depreciated	1,493,760	\$ -	\$ (109,144)	\$ -	1,384,616

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

##### CAPITAL ASSETS (continued)

	July 1, 2005	Increases	Decreases	Transfers	June 30, 2006
Golf: (continued)					
Less accumulated depreciation for:					
Improvements other than buildings	\$ 404,619	\$ 36,654	\$ -	\$ -	\$ 441,273
Buildings, plant and structures	138,463	5,021	-	-	143,484
Furniture, fixtures, machinery and equipment	420,957	26,243	(109,144)	-	338,056
Total accumulated depreciation	964,039	\$ 67,918	\$ (109,144)	\$ -	922,813
Total capital assets being depreciated, net	529,721				461,803
Golf capital assets, net	639,114				571,196
Parking facilities:					
Capital assets not being depreciated:					
Land	1,355,954	\$ -	\$ -	\$ -	1,355,954
Construction in progress	721,449	23,382	(504,407)	-	240,424
Total capital assets not being depreciated	2,077,403	\$ 23,382	\$ (504,407)	\$ -	1,596,378
Capital assets being depreciated:					
Buildings, plant and structures	12,235,702	\$ -	\$ -	\$ -	12,235,702
Furniture, fixtures, machinery and equipment	87,311	-	-	-	87,311
Total capital assets being depreciated	12,323,013	\$ -	\$ -	\$ -	12,323,013
Less accumulated depreciation for:					
Buildings, plant and structures	2,007,069	\$ 630,903	\$ -	\$ -	2,637,972
Furniture, fixtures, machinery and equipment	60,078	9,792	-	-	69,870
Total accumulated depreciation	2,067,147	\$ 640,695	\$ -	\$ -	2,707,842
Total capital assets being depreciated, net	10,255,866				9,615,171
Parking facilities capital assets, net	12,333,269				11,211,549
Business-type activities capital assets, net	\$ 192,266,534				\$ 200,251,707

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### A. ASSETS (continued)

#### CAPITAL ASSETS (continued)

#### CONSTRUCTION COMMITMENTS

The City has active construction projects at June 30, 2006. At year-end, the City's commitments with contractors are as follows:

Governmental funds:	
Capital Projects	\$ 8,989,558
Enterprise funds:	
Water and Sewer	\$ 66,500,657
Stormwater Management	4,059,210
Total enterprise funds	\$ 70,559,867

#### DISCRETELY PRESENTED COMPONENT UNIT

Activity for the Cape Fear Public Transportation Authority for the year ended June 30, 2006, is as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
Capital assets not being depreciated:				
Land	\$ 26,070	\$ -	\$ -	\$ 26,070
Construction in progress	-	169,232	-	169,232
Total capital assets not being depreciated	26,070	\$ 169,232	\$ -	195,302
Capital assets being depreciated:				
Buildings and improvements	539,547	\$ -	\$ -	539,547
Furniture, fixtures, machinery and equipment	8,250,692	156,725	-	8,407,417
Total capital assets being depreciated	8,790,239	\$ 156,725	\$ -	8,946,964
Less accumulated depreciation for:				
Buildings and improvements	413,725	\$ 21,072	\$ -	434,797
Furniture, fixtures, machinery and equipment	2,353,894	821,322	-	3,175,216
Total accumulated depreciation	2,767,619	\$ 842,394	\$ -	3,610,013
Total capital assets being depreciated, net	6,022,620			5,336,951
Authority capital assets, net	\$ 6,048,690			\$ 5,532,253



# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES**

##### **PENSION PLAN OBLIGATIONS**

###### **1. Local Governmental Employees' Retirement System**

*Plan Description.* The City of Wilmington and the Authority contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The City and the Authority are required to contribute at an actuarially determined rate. For the City and the Authority, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members, the City and the Authority are established and may be amended by the North Carolina General Assembly.

Contributions by the City and Authority to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$2,021,023, \$1,986,374 and \$1,853,744, respectively. The contributions made by the City and the Authority equaled the required contributions for each year.

###### **2. Law Enforcement Officers' Special Separation Allowance**

###### *a. Plan Description.*

The City of Wilmington administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is included in the City's financial statements as a pension trust fund. The Separation Allowance does not issue separate financial statements.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### PENSION PLAN OBLIGATIONS (continued)

#### 2. Law Enforcement Officers' Special Separation Allowance (continued)

##### a. Plan Description. (continued)

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	15
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>252</u>
Total	<u><u>267</u></u>

##### b. Summary of Significant Accounting Policies:

*Basis of Accounting.* Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Methods used to Value Investments.* Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the government's balance sheet date. Securities without an established market are reported at estimated fair value.

##### c. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$250,000 or 2.54% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### PENSION PLAN OBLIGATIONS (continued)

#### 2. Law Enforcement Officers' Special Separation Allowance (continued)

##### c. Contributions. (continued)

*Annual Pension Cost and Net Pension Obligation.* The City's annual pension cost and net pension obligation (asset) in regards to the Separation Allowance for the current year are as follows:

Annual required contribution	\$ 285,130
Interest on net pension obligation	(22,931)
Adjustment to annual required contribution	<u>18,166</u>
Annual pension cost	280,365
Contributions made	<u>(250,000)</u>
Change in net pension obligation (asset)	30,365
Net pension obligation (asset) beginning of year	<u>(316,292)</u>
Net pension obligation (asset) end of year	<u><u>\$ (285,927)</u></u>

#### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation (Asset)
June 30, 2004	\$ 233,127	101.91 %	\$ (339,911)
June 30, 2005	274,252	91.39	(316,292)
June 30, 2006	280,365	89.17	(285,927)

#### 3. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. For the year ended June 30, 2006 the City's required contribution was \$515,283 for the law enforcement officers.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

#### **PENSION PLAN OBLIGATIONS (continued)**

##### **3. Supplemental Retirement Income Plan for Law Enforcement Officers (continued)**

The City has elected to make contributions on behalf of all employees to the Supplemental Retirement Income Plan or the 457 Deferred Compensation Plan, discussed below. The City's contribution is 4.5% of covered payroll and contributions are made to the plan selected by the employee. The City Council established the contribution and can amend or discontinue it at any time. Employees can also make voluntary contributions to these plans.

Employer contributions to the Supplemental Retirement Income Plan, excluding required contributions for law enforcement officers, totaled \$1,019,694 for the year ended June 30, 2006. Employee contributions to this plan, including law enforcement officers, included in salary expense for the year ended June 30, 2006, were \$693,959. The Authority has elected to contribute on behalf of all employees full matching of employee contribution up to 4.5% of eligible compensation. Authority contributions on behalf of the employees was \$4,965 for the year ended June 30, 2006.

##### **4. Firemen's Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the City of Wilmington, to the Firemen's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firemen's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

#### **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Managers' Association Retirement Corporation. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

##### **DEFERRED COMPENSATION PLAN (continued)**

The City provides a contribution of 3% of covered payroll to the 457 Deferred Compensation Plan for fire fighters. The City also matches the contributions made by the fire fighters to the 457 Deferred Compensation Plan up to 3% of covered payroll. The City Council established both the 3% contribution and the matching contribution and may amend or discontinue them at any time. Contributions by fire fighters to the plan, included in salary expense for the year ended June 30, 2006, were \$223,024 that was matched by the City.

Employer contributions to the 457 Deferred Compensation Plan totaled \$1,337,290 for the year ended June 30, 2006. This amount included the 3% contribution and matching contributions for fire fighters as well as the 4.5% employer contribution available to all employees. Employee contributions to the plan, excluding the fire fighter's matched deferral, included in salary expense for the year ended June 30, 2006, were \$328,201.

##### **OTHER POST-EMPLOYMENT BENEFITS**

In addition to providing pension benefits, the City of Wilmington has elected to provide post-employment health care benefits to retirees of the City, provided they participated in the North Carolina Local Government Employees' Retirement System (System) and have at least five years of creditable service with the City. The City shares the cost of coverage for these benefits with the retiree by paying claims under its medical self-insurance program and charging participants a co-payment amount. Expenditures for post-employment health care benefits are recognized as retirees report claims and include a provision for actual claims and claims not yet reported. Currently, 118 retirees participate in the post-retirement health benefits. The City's expenditures totaled \$893,462 for the year ended June 30, 2006, net of \$146,656 received from participants.

The City has elected to provide death benefits to employees engaged in law enforcement through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefits are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the City made contributions to the State for death benefits of \$14,778. The City's contribution for law enforcement officers represented .14% of covered payroll. The City is not required to contribute for employees not engaged in law enforcement. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES

##### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, which pledge the full faith, credit, and taxing power of the City, have been issued for both governmental and business-type activities. General obligation bonds issued for governmental activity purposes are serviced by the Debt Service Fund. Those bonds reported in the business-type activities are expected to be repaid from revenues of the proprietary funds.

General obligation bonds outstanding at June 30, 2006 are as follows:

Purpose	Interest Rates	Amount
Governmental activities	3.00% - 5.25%	\$ 8,899,698
Governmental activities - refunding	2.00% - 5.00%	4,062,457
Business-type activities	4.50% - 5.00%	3,535,302
Business-type activities - refunding	2.00% - 5.00%	26,887,543
		<u>\$ 43,385,000</u>

Annual debt service requirements to maturity for general obligation bonds at June 30, 2006 are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2,142,182	\$ 532,517	\$ 3,177,818	\$ 1,211,665
2008	2,228,378	456,565	3,481,622	1,088,046
2009	1,637,863	375,769	3,697,137	945,590
2010	1,152,816	314,052	4,142,184	797,533
2011	844,349	262,440	3,560,651	627,815
2012-2016	3,746,567	766,575	12,363,433	1,126,278
2017-2018	1,210,000	81,825	-	-
	<u>\$ 12,962,155</u>	<u>\$ 2,789,743</u>	<u>\$ 30,422,845</u>	<u>\$ 5,796,927</u>

##### Revenue Bonds

The City has \$2,910,000 in outstanding tax-exempt 1999 revenue bonds at June 30, 2006 bearing interest payable semi-annually at fixed rates from 4.8% to 5.1%. Principal is payable in varying amounts through 2010. At June 30, 2006, the City has \$5,299,118 in outstanding tax-exempt 2003 revenue bonds bearing interest payable semi-annually at a fixed rate of 3.65%. Principal is payable in varying amounts through 2019.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

##### Revenue Bonds (continued)

In October 2005, the City issued \$62,400,000 in tax-exempt 2005 revenue and refunding bonds, with a net premium of \$2,988,148. The bonds bear interest, paid semi-annually at fixed rates from 3.00% to 5.00% in varying maturities through 2034. A total of \$47,504,439 of the proceeds is being used primarily for the Northside Wastewater Treatment Plant expansion and other water and sewer system improvements and \$5,335,561 is being used to pay for interest during the construction of the projects. The remainder of the proceeds is being used to advance refund \$9,235,000 of 1999 revenue bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$886,635. This amount is being netted against the new debt and amortized over the life of the refunded debt. The transaction resulted in an economic gain of \$407,963 and a reduction of \$531,305 in future debt service payments. At June 30, 2006, the City has \$62,195,000 outstanding in tax-exempt 2005 revenue bonds. Net revenues of the Water and Sewer Fund (a business-type activity) are pledged as security for the revenue bonds. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Certain covenants are contained in the revenue bond orders, among the most restrictive of which provides that the City maintain a long-term debt service coverage ratio, as defined, of not less than 1.20. The City was in compliance with the covenants during the fiscal year ended June 30, 2006.

Debt service requirements to maturity are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2007	\$ 1,046,428	\$ 3,294,869
2008	2,149,004	3,248,318
2009	2,232,043	3,165,873
2010	2,320,562	3,078,704
2011	2,409,579	2,984,307
2012-2016	13,616,907	13,374,948
2017-2021	13,024,595	10,041,128
2022-2026	10,500,000	7,347,990
2027-2031	13,380,000	4,481,200
2032-2034	9,725,000	988,250
	<u>\$ 70,404,118</u>	<u>\$ 52,005,587</u>

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

##### **LONG-TERM LIABILITIES (continued)**

###### **Installment Obligations**

Certificates of Participation, all tax-exempt, have been issued for purchase of real property, construction of public facilities, construction of new parking facilities and the acquisition of two private water systems. Outstanding certificates bear interest, payable semi-annually, at fixed rates from 2.4% to 5.25% with varying maturities through 2032.

In July 2004, the City issued a total of \$11,810,000 in tax-exempt Certificates of Participation, with a net premium of \$387,156. The certificates bear interest, paid semi-annually at fixed rates from 2.25% to 5.25% in varying maturities through 2029. The proceeds are being used to construct a fire station and operations center. The debt is accounted for in the City's governmental activities.

In June 2005, the City issued a total of \$37,020,000 in tax-exempt Certificates of Participation, with a net premium of \$1,931,880. The certificates bear interest, paid semi-annually at fixed rates from 3.00% to 5.00% in varying maturities through 2032. The proceeds are being used for drainage improvements and to construct a police headquarters facility and operations center. In addition, \$8,535,107 of the proceeds were used to advance refund a portion of the 1997 and 1999B Certificates of Participation. The debt is accounted for in the Storm Water Management Fund, a business-type activity of the City, and in the governmental activities of the City.

In April 2006, the City issued a total of \$17,235,000 in tax-exempt Certificates of Participation, with a net premium of \$606,056. The certificates bear interest, paid semi-annually at fixed rates from 3.75% to 5.00% in varying maturities through 2024. The proceeds are being used to advance refund \$16,965,000 of Series 1999 Certificates of Participation. The debt is accounted for in the Ground Water Utility Fund, a business-type activity of the City. The reacquisition price exceeded the net carrying amount of the old debt by \$1,220,856. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is same as the new debt issued. The transaction resulted in an economic gain of \$676,783 and a reduction of \$974,965 in future debt service payments.

At June 30, 2006 the principal balance of Certificates of Participation accounted for in governmental activities was \$52,500,673. Principal and interest requirements will be provided by appropriation in the Debt Service Fund in the year they become due.

The outstanding principal balance of Certificates of Participation accounted for in the business-type activities totaled \$29,639,327 at June 30, 2006. A total of \$8,894,327 is accounted for in the Parking Facilities Fund. A total of \$1,395,000 is accounted for in the Storm Water Management Fund. The remaining \$19,350,000 in principal balance is accounted for in the Ground Water Utility Fund. Principal and interest requirements will be provided by appropriation in these funds in the year in which they become due.



# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Installment Obligations (continued)

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 1,593,569	\$ 2,431,965	\$ 1,201,431	\$ 1,343,094
2008	1,673,569	2,371,745	1,226,431	1,297,018
2009	1,708,569	2,319,230	1,271,431	1,246,851
2010	1,788,569	2,257,945	1,301,431	1,189,803
2011	1,858,569	2,199,670	1,331,431	1,140,390
2012-2016	12,562,845	9,604,288	7,242,155	4,835,985
2017-2021	11,407,845	6,555,877	8,527,155	3,011,927
2022-2026	9,767,138	3,892,400	6,737,862	903,352
2027-2031	8,810,000	1,535,850	800,000	57,000
2032	1,330,000	65,975	-	-
	<u>\$ 52,500,673</u>	<u>\$ 33,234,945</u>	<u>\$ 29,639,327</u>	<u>\$ 15,025,420</u>

#### Defeased Debt

The City has defeased certain Certificates of Participation and revenue bonds by placing the proceeds in irrevocable trusts to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased certificates and defeased bonds are not included in the City's financial statements. At June 30, 2006, \$25,160,000 of outstanding certificates and \$9,235,000 of outstanding revenue bonds are considered defeased.

#### Other Long-Term Obligations

The City is financing the acquisition of certain equipment and real property for governmental activities through installment notes. These notes bear interest at rates ranging from 2.75% to 4.817% and are being paid from the Debt Service Fund. In December 2001, the City entered into an installment purchase agreement for improvements to the Legion Stadium Sports Complex. The note is payable through 2022 at a fixed rate of interest of 3.94%, the current balance on the note is \$4,262,500. In October 2004, the City entered into a variable rate installment purchase agreement with a commercial bank in the amount of \$3,000,000 with a draw down period through October 1, 2005 for police and fire equipment and for scheduled equipment replacements in the internal service funds. During the year ended June 30, 2006, total draw downs amounted to \$935,189, of which \$273,803 is accounted for in the governmental funds and \$661,386 is in the internal service funds. The note is payable through 2009 at a variable interest rate payable quarterly at 90% of the 30 day London Interbank Offered Rate (LIBOR) plus .20%. The rate at June 30, 2006 was 4.817%. Principal is payable annually in four equal payments beginning October 1, 2006. As of June 30, 2006, the current balance of the note is \$3,000,000.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Other Long-Term Obligations (continued)

In May 2006, the City entered into a financing agreement with a commercial bank in the amount of \$6,000,000. A total of \$5,136,000 of the installment is being used to purchase various equipment replacements in the internal service funds. A total of \$864,000 is being used to purchase refuse collection equipment which is accounted for in the Solid Waste Management Fund, a business-type activity of the City. The note is payable through 2010 at a fixed interest rate of 3.878% with equal monthly payments beginning July 1, 2006. Since the internal service funds predominantly serve the governmental funds, \$6,678,013 is included in the governmental activities balance. The outstanding balance at June 30, 2006, related to the various installment notes aggregated \$12,398,500.

The City has entered into various lease-purchase and other financing agreements related to the business-type activities for the acquisition of equipment and real property. The Parking Facilities Fund has an installment note payable at June 30, 2006 in the amount of \$555,811. The note has an overall interest rate of 3.4%. The Solid Waste Management Fund has an installment note payable at June 30, 2006 in the amount of \$864,000. The note has an overall interest rate of 3.878%. The outstanding balance at June 30, 2006, related to various installment notes aggregated \$1,419,811.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2,232,763	\$ 472,584	\$ 382,235	\$ 47,927
2008	2,283,973	375,826	396,990	33,174
2009	2,333,756	260,542	411,716	18,448
2010	2,385,508	188,652	228,870	4,844
2011	275,000	121,901	-	-
2012-2016	1,375,000	447,456	-	-
2017-2021	1,375,000	176,165	-	-
2022	137,500	2,716	-	-
	<u>\$ 12,398,500</u>	<u>\$ 2,045,842</u>	<u>\$ 1,419,811</u>	<u>\$ 104,393</u>

#### Interest Rate Swap Agreement

**Objective of the interest rate swap.** As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in February 2002; the City entered into an interest rate swap in connection with its \$28,825,000 Variable Rate General Obligation Refunding Bonds, Series 2002. The intention of the swap agreement was to effectively change the City's interest rate on the bonds to a synthetic fixed rate of 3.815%.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

##### Interest Rate Swap Agreement (continued)

**Terms.** The bonds and the related swap agreement mature on June 1, 2015 and the swap's notional amount of \$23,405,000 matches the face amount of the variable-rate bonds. The swap was entered into at the same time the bonds were issued (February 2002). The notional value of the swap declines with the principal amount of the associated debt. Under the swap the City pays the counterparty a fixed payment of 3.815% and receives a variable payment computed at 67% of the LIBOR. Conversely, the bonds' variable-rate coupons are based on the actual float rate coupons marketed weekly.

**Fair value.** Because interest rates have declined since execution of the swap, the swap has a negative fair value of \$51,817 as of June 30, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the City's variable-rate bonds are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value increase. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

**Credit risk.** As of June 30, 2006 the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa1 by Moody's Investors Service (Moody's), AA by Standard and Poor's (S&P) and AA by Fitch Ratings (Fitch). To mitigate the potential for credit risk, if the counterparty's credit quality falls to A1 by Moody's or A+ by either S&P or Fitch and their exposure exceeds \$5,000,000 the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third party custodian.

**Basis risk.** The swap exposes the City to basis risk should the relationship between LIBOR and the average rate paid on the floating rate coupon converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rates of 3.815% and the synthetic rate as of June 30, 2006 of 4.18%. As of June 30, 2006, the rate on the City's Bonds was 3.95% whereas 67% of LIBOR was 3.582%.

**Termination risk.** The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty's credit rating falls below Baa1 (Moody's) or BBB+ (S&P and Fitch) by at least two of the rating agencies. The swap may be terminated by the City with 30 days notice and the counterparty can only terminate the swap if the City falls below BBB- with any of the three major rating services. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Interest Rate Swap Agreement (continued)

**Swap payments and associated debt.** Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total
2007	\$ 1,725,000	\$ 924,498	\$ 54,534	\$ 2,704,032
2008	1,810,000	856,360	50,514	2,716,874
2009	2,595,000	784,865	46,298	3,426,163
2010	3,065,000	682,363	40,250	3,787,613
2011	3,025,000	561,295	33,110	3,619,405
2012-2015	11,185,000	1,066,304	62,898	12,314,202
	<u>\$ 23,405,000</u>	<u>\$ 4,875,685</u>	<u>\$ 287,604</u>	<u>\$ 28,568,289</u>

#### Other long-term liabilities disclosures

State statutes provide for a legal debt limit of 8% of the City's assessed value of taxable property. The City's legal debt limit as of June 30, 2006 amounts to \$712,415,000.

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 15,251,701	\$ -	\$ 2,289,546	\$ 12,962,155	\$ 2,142,182
Less deferred amounts:					
On refunding	(456,860)	-	(87,953)	(368,907)	-
Plus deferred amounts:					
For issuance premium	2,357,357	-	18,942	2,338,415	-
Installment obligations	53,729,242	-	1,228,569	52,500,673	1,593,569
Other long-term obligations	7,468,017	6,071,188	1,140,705	12,398,500	2,232,763
Compensated absences	4,782,959	4,182,367	4,256,747	4,708,579	4,190,501
Governmental activity					
long-term liabilities	<u>\$ 83,132,416</u>	<u>\$ 10,253,555</u>	<u>\$ 8,846,556</u>	<u>\$ 84,539,415</u>	<u>\$ 10,159,015</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### B. LIABILITIES (continued)

#### LONG-TERM LIABILITIES (continued)

#### Changes in long-term liabilities (continued)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 33,598,299	\$ -	\$ 3,175,454	\$ 30,422,845	\$ 3,177,818
Revenue bonds	18,418,416	62,400,000	10,414,298	70,404,118	1,046,428
Installment obligations	30,250,758	17,235,000	17,846,431	29,639,327	1,201,431
Less deferred amounts:					
For issuance discount	(304,056)		(294,433)	(9,623)	-
On refunding	(1,550,429)	(2,107,491)	(224,397)	(3,433,523)	-
Plus deferred amounts:					
For issuance premium	80,434	3,594,204	5,206	3,669,432	-
Other long-term obligations	775,363	864,000	219,552	1,419,811	382,235
Compensated absences	1,072,964	1,073,318	986,412	1,159,870	944,480
Business-type activity long-term liabilities	<u>\$ 82,341,749</u>	<u>\$ 83,059,031</u>	<u>\$ 32,128,523</u>	<u>\$ 133,272,257</u>	<u>\$ 6,752,392</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end \$78,349 of internal service funds compensated absences and \$6,678,013 of internal service funds other long-term obligations are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

#### COMMITMENTS AND CONTINGENCIES

The City entered into a thirty-year ground lease commencing September 1, 2001 with the intention of building a parking facility on the site. The lease can be terminated after five years. Annual lease payments for the first five years are \$100,000 with an increase of 12.5% for each additional five-year period. For the fiscal year ending June 30, 2006, the City paid \$100,000 on the lease agreement.

The City leases office facilities from the County under an operating lease expiring in August 2006 with a provision for two additional one-year extensions. The annual cost of the lease is approximately \$144,000 per year.

The City leases golf carts under an operating lease with an annual cost of approximately \$40,000. The lease expires in December 2008.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

##### **COMMITMENTS AND CONTINGENCIES (continued)**

A contractor subject to an agreement that will expire on November 30, 2008 manages the City's Second Street and Market Street parking decks. During the year ended June 30, 2006 the City paid \$160,240 for administration. The City also has an agreement, with the same contractor, for administration of a parking lot at a rate of \$21,924 per year. For the year ended June 30, 2006 the City paid \$21,924 for the administration of the parking lot. The City also contracted for the enforcement, maintenance and administration of on street parking under a three-year contract at rates ranging from \$32,596 to \$33,536 per month during the term of the agreement. During the year ended June 30, 2006 the City paid \$389,911 for these services.

As part of the agreement for the acquisition of Cape Fear Utilities, Inc. and Quality Water Supplies, Inc., the City has agreed to hold harmless the former shareholders against any and all claims in connection with the City's failure to comply with the terms of the purchase agreement. The agreement requires that the entire purchase price paid by the City be funded from non-recourse obligations issued under North Carolina General Statute §160A-20, which shall be secured only by the assets and/or revenues of the companies. The taxing power of the City is not and may not be pledged to secure any part of the purchase debt. The structure of the debt is designed to reasonably ensure that all debt service will be fully funded in a timely manner through the companies' revenue and the City does not expect to provide any additional funding for operation and maintenance of the water system outside of that generated by the companies.

Pursuant to a management agreement effective July 1, 2005 through June 30, 2008, the Authority retains First Transit, Inc. to provide management and operational services for the public transportation system. The agreement provides that First Transit, Inc. shall employ, furnish and supervise certain personnel necessary for the management and operation of the public transportation system. In addition, the agreement provides for assistance with certain other managerial functions required for the day-to-day operations of the Authority. For the year ended June 30, 2006, the Authority paid management fees totaling \$173,000. Future commitments under the agreement provide for management fees of \$179,920 and \$187,117 for the years ending June 30, 2007 and 2008, respectively.

The agreement provides that the Authority will reimburse First Transit, Inc. for all operating expenses incurred in the management and operation of the public transit system. As of June 30, 2006, the Authority incurred expenses under the contract totaling \$4,454,736, of which \$972,531 is included in current liabilities at year-end.

An interlocal agreement entered into between the City of Wilmington and the New Hanover County Water and Sewer District, requires semiannual payments from the City to the District for sewer system improvements in annexation areas "A" and "B". These payments are based on the amount of revenues from the annexation areas that would normally be allocated to debt service and will extend for a term of twenty years. At June 30, 2006, the annualized amount due to the District was \$46,937.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

##### **COMMITMENTS AND CONTINGENCIES (continued)**

The City of Wilmington and the New Hanover County Water and Sewer District have also entered into an interlocal cost sharing agreement for the upgrade and expansion of the City's northside wastewater treatment plant. A contract for construction in the amount of \$68,522,000 was awarded in October 2005. The total project including engineering services, construction, and a construction contingency are estimated at \$81,404,717. The District agreed to pay \$45,830,856 or approximately 56.3% of the total costs. The City's agreed to pay the remaining portion, totaling \$35,573,861 or 43.7% of the total costs. The District made an irrevocable deposit in an escrow fund for their portion of the costs. The trustee for the escrow fund pays the City 56.3% of the expenditures incurred for the project. The City is liable for any costs that exceed the project budget and are entitled to any District funds remaining in escrow upon completion of the project. When completed, the plant will be jointly owned by the City and District. As of June 30, 2006 the City had incurred approximately \$10,949,671 of their share of the costs of the project.

The City entered into an incentive agreement in March 2004 with Cellco Partnership to provide incentive payments to the company in exchange for the company's commitment to construct, equip, and staff a facility in the City. The City's obligation under the agreement is \$125,000 per year for seven years commencing in the year following occupancy of the facility. In addition the City has agreed to provide up to \$500,000 for public infrastructure improvements required for the construction of the facility. The public infrastructure when completed will be dedicated for public maintenance and use. As of June 30, 2006 a total of \$196,093 had been paid to date for the public infrastructure improvements. The Company is required to have a direct investment in the facility of at least \$20 million and to provide 1,000 full time jobs by October 15<sup>th</sup> of the year following occupancy of the facility. The facility was approved for occupancy on July 20, 2004 and the company complied with the job creation requirement. The City made the first payment of \$125,000 to Cellco in November 2005.

The City entered into an incentive agreement in June 2005 with Pharmaceutical Product Development, Inc to provide incentive payments to the company in exchange for the company's commitment to construct, equip, and staff a facility in the City. The City's obligation under the agreement is \$125,000 per year for five years commencing in the sixth year following occupancy of the facility. In addition the City agreed to provide up to \$4,000,000 in public infrastructure improvements in a designated redevelopment area that includes the Company's new facility. The improvements must be completed by December 31, 2008. As of June 30, 2006 no funds had been paid or requested for public infrastructure improvements. The Company is required to make a direct investment in the facility of at least \$80 million and to provide 857 additional jobs by October 15<sup>th</sup> of the sixth year after occupancy. In the seventh through tenth years following occupancy a total of 1000 additional jobs must be provided.

The City entered into an incentive agreement in November 2005 with Guilford Mills, Inc. to provide payments to the company in exchange for the company's commitment to relocate its corporate headquarters to the City. The City's obligation under the agreement is \$66,667 per year for three years. The company is required to have 15 full-time employees at the Wilmington facility by October of the year following occupancy of their facility. The company is required to have 40 employees by the third year of the agreement. As of June 30, 2006 no funds had been paid or requested.

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)**

#### **B. LIABILITIES (continued)**

##### **COMMITMENTS AND CONTINGENCIES (continued)**

###### **Jointly Governed Organizations**

The City, in conjunction with Bladen County, New Hanover County, Columbus County, Pender County and Brunswick County is a member of the Lower Cape Fear Water and Sewer Authority. The Water and Sewer Authority was formed to provide raw water to counties, municipalities and industrial customers in southeastern North Carolina. The Water and Sewer Authority is governed by a thirteen member Board appointed by the participating entities with the City represented by two members. The Water and Sewer Authority is not considered to be a joint venture under generally accepted accounting principles since the counties and municipalities do not retain an ongoing financial interest (i.e., an equity interest in either assets or liabilities) or responsibility.

The City had a financial obligation to the Water and Sewer Authority for water availability rights through February 1, 2006. During the 2006 fiscal year, the City made principal and interest payments on the obligation of \$222,648. During the year ended June 30, 2006 the City purchased \$827,063 in raw water from the Water and Sewer Authority.

The City, in conjunction with Brunswick, Columbus and Pender Counties and the municipalities therein established the Cape Fear Council of Governments (Council). The Council was established for various purposes, but mainly to coordinate funding for federal and state assistance. Each participating government appoints a minimum of one member to the Council's board. The City paid fees of \$16,980 to the Council during the fiscal year ended June 30, 2006.

###### **Related Organization**

The nine-member Board of the Wilmington Housing Authority is appointed by the Mayor of the City of Wilmington. The City is accountable for the Housing Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of Wilmington is also disclosed as a related organization in the Notes to Financial Statements for the Wilmington Housing Authority.

#### **C. INTERFUND BALANCES AND ACTIVITY**

The compositions of interfund balances as of June 30, 2006, are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Building Improvements Fund	General Fund	\$ 8,501
Nonmajor governmental funds	General Fund	490
Total		<u>\$ 8,991</u>



# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### C. INTERFUND BALANCES AND ACTIVITY (continued)

Advances from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Water and Sewer Fund	Nonmajor governmental funds	\$ <u>91,612</u>

Due to/from primary government and component unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Component unit	Primary government - general fund	\$ (24,654)
Primary government - building improvements fund	Component unit	76,506
Primary government - nonmajor governmental funds	Component unit	<u>66,752</u>
		<u>\$ 118,604</u>

The outstanding balances are from time lags between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The City uses transfers to 1) move revenues from the fund in which state statute or budget requires the revenues to be collected to the fund from which state statute or budget requires the funds to be expended, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers:

	<u>Building Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Capital Assets</u>
Transfers in	\$ 4,499,000	\$ 15,035,201	\$ 759	\$ 790,314	\$ 20,325,274	\$ 14,899
Transfers out:						
General Fund	\$ 4,499,000	\$ 13,527,325	\$ -	\$ 790,314	\$ 18,816,639	\$ -
Nonmajor Governmental Funds	-	1,507,876	-	-	1,507,876	-
Internal Service Fund	-	-	-	-	-	14,899
Total	<u>\$ 4,499,000</u>	<u>\$ 15,035,201</u>	<u>\$ -</u>	<u>\$ 790,314</u>	<u>\$ 20,324,515</u>	<u>\$ 14,899</u>
Transfers out:						
Governmental Activities Capital Assets	\$ -	\$ -	\$ 759	\$ -	\$ 759	

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 4 – DETAIL NOTES ON ALL FUNDS (continued)

#### C. INTERFUND BALANCES AND ACTIVITY (continued)

In the fund financial statements, total transfers in of \$20,325,274 are more than total transfers out of \$20,324,515 because of the treatment of transfers of capital assets from general government capital assets. During the year, existing capital assets related to internal service funds, with a net book value of \$14,899, were transferred to general government capital assets. Capital assets with a net book value of \$759 were contributed from general government capital assets to the water and sewer enterprise fund. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources.

#### D. SPECIAL ITEM

The City entered into an incentive agreement in June 2005 with Pharmaceutical Product Development, Inc (Company). Originally, as part of that agreement, the City was to construct a parking deck. At June 30, 2005, \$483,268 of costs had been incurred in the Parking Facilities Fund for the project and included in construction in progress. An additional \$21,139 of costs was incurred in fiscal year 2006 when the incentive agreement was modified providing for the deck to instead be constructed by the Company. As a result, the City abandoned the project and received \$100,010 from the Company to offset the asset impairment loss of \$504,407 resulting in a net special item of \$404,397 reported in the Parking Facilities Fund at June 30, 2006. Although the special item is considered significant to nonmajor enterprise funds, it is not considered to be significant to government wide activities and is therefore included in expenses of the parking facilities on the government-wide statement of activities.

### NOTE 5 - DEFERRED/UNEARNED REVENUES

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statement of net assets at June 30, 2006 is summarized as follows:

	Governmental Funds			Net Assets
	General Fund	Special Revenue Funds	Total	
Taxes receivable, net	\$ 1,079,274	\$ -	\$ 1,079,274	\$ -
Notes and accounts receivable	460,535	190,258	650,793	17,084
Special assessments receivable	35,805	-	35,805	-
Customer advances	-	127	127	127
Intergovernmental grant advances	-	4,818	4,818	4,818
	<u>\$ 1,575,614</u>	<u>\$ 195,203</u>	<u>\$ 1,770,817</u>	<u>\$ 22,029</u>

The Authority's deferred revenue results from the sale of bus passes (farebox revenue) sold in advance and unused at year-end.

# CITY OF WILMINGTON, NORTH CAROLINA

## Notes to Financial Statements (Continued) June 30, 2006

### NOTE 6 - RISK MANAGEMENT

The City and the Authority are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions. The City has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan and workers' compensation coverage. The risk financing fund is accounted for in the general fund where assets are set aside for claim settlements. Premiums are paid into the general fund by other funds that incur claims and are available to pay claims, claim reserves and administrative costs of the programs. These interfund premiums are used to reduce the amount of claims expenditures reported in the general fund. As of June 30, 2006, such interfund premiums did not exceed reimbursable expenditures.

The Authority participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the Authority obtains property coverage equal to replacement cost values of owned property subject to a limit of \$1.4 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits. The pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The City and the Authority carry commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2005</u>	<u>2006</u>
Medical Self-Insurance Program:		
Unpaid claims, beginning	\$ 595,102	\$ 706,906
Incurred claims (including IBNRs)	6,172,090	7,384,031
Claim payments	<u>(6,060,286)</u>	<u>(7,256,638)</u>
Unpaid claims, ending, due within one year	<u>\$ 706,906</u>	<u>\$ 834,299</u>
Workers' Compensation Self-Insurance Program:		
Unpaid claims, beginning	\$ 561,493	\$ 203,187
Incurred claims (including IBNRs)	476,715	728,366
Claim payments	<u>(835,021)</u>	<u>(569,601)</u>
Unpaid claims, ending, due within one year	<u>\$ 203,187</u>	<u>\$ 361,952</u>

# **CITY OF WILMINGTON, NORTH CAROLINA**

## **Notes to Financial Statements (Continued) June 30, 2006**

### **NOTE 7 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

#### **A. LITIGATION**

The City is a party to a number of civil lawsuits and other legal actions, including a number of actions where the City's defense is being handled by the City's insurance carrier and any potential losses should be limited to the insurance policies' deductibles. There are also several claims for damages that have not yet resulted in litigation. In the opinion of the City attorney and management, the ultimate outcome of these claims is not expected to have a significant impact on the City's financial position.

Various accident and damage claims are pending against the Authority incidental to its operations. The Authority's insurance coverage provides for a \$5,000 deductible per occurrence. Based on an analysis of individual pending claims in accordance with Statement of Financial Accounting Standards No. 5, the Authority believes any liability as of June 30, 2006 to be immaterial.

#### **B. FEDERAL AND STATE ASSISTED PROGRAMS**

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial.

#### **C. UNDERGROUND STORAGE TANK REMOVAL PROGRAM**

The City has completed a program to remove and replace all underground storage tanks not in full compliance with current environmental regulations. Remedial action, including monitoring for pollutants, is continuing at three sites as of June 30, 2006. In the opinion of the City attorney, any future actions required to be taken at these sites should not result in costs, which, in the aggregate, would have a material adverse effect on the City's financial statements.

#### **D. RED-LIGHT CAMERA PROCEEDS**

The New Hanover County Board of Education (Board) has demanded that the City pay to the Board the proceeds from civil citations issued for red-light violations at camera controlled intersections over the last four years. The amount is estimated to be approximately \$2,905,000. The claim is based on a law suit against the City of High Point that is currently on appeal. The City asserts legal rights to the proceeds and has refused the demand for payment.

#### **E. ROOM OCCUPANCY TAXES**

A 3% room occupancy tax was levied by the City of Wilmington in February 2003 pursuant to state enabling legislation. The funds may be used only for the construction and operation of a convention center facility. In May 2005, in accordance with the legislation, the New Hanover County Tourism Development Authority determined that the City had met the initial requirements for release of the tax revenue. A secondary requirement of the legislation is that a convention facility must be under construction by the beginning of July 2008. If this has not occurred, the City is obligated to return any unspent or uncommitted funds received. For the year ending June 30, 2006, the City recognized \$2,274,818 in tax revenue as result of the tax levy with a total of \$5,310,319 collected since the levy was enacted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12-31-96	564,385	1,190,047	625,662	47.43	5,159,563	12.13 %
12-31-97	616,174	1,354,681	738,507	45.48	5,538,613	13.33
12-31-98	531,500	1,518,641	987,141	35.00	6,221,505	15.87
12-31-99	510,000	1,595,807	1,085,807	31.96	7,613,564	14.26
12-31-00	430,005	2,181,126	1,751,121	19.71	8,282,301	21.14
12-31-01	470,152	2,312,294	1,842,142	20.33	8,728,050	21.11
12-31-02	515,998	2,171,141	1,655,143	23.77	8,755,071	18.90
12-31-03	548,103	2,581,657	2,033,554	21.23	9,471,632	21.47
12-31-04	550,848	2,622,109	2,071,261	21.01	9,267,628	22.35
12-31-05	609,627	2,612,495	2,002,868	23.34	9,838,179	20.36

**CITY OF WILMINGTON, NORTH CAROLINA**

**Law Enforcement Officers' Special Separation Allowance  
Required Supplementary Information  
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
1997	\$ 111,937	134.0 %
1998	112,623	157.2
1999	124,699	69.4
2000	153,384	78.2
2001	175,293	114.1
2002	231,190	97.5
2003	247,189	91.2
2004	239,035	99.6
2005	279,828	89.6
2006	285,130	87.7

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12-31-2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% to 12.3%
*Includes inflation at	3.75%
Cost-of living adjustments	None

Since the previous valuation, the above actuarial assumptions have been revised to reflect the results of an experience investigation adopted by the North Carolina Local Government Employees' Retirement System.

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**COMBINING & INDIVIDUAL  
FUND STATEMENTS TAB (FRONT)**

**COMBINING & INDIVIDUAL  
FUND STATEMENTS TAB (BACK)**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Balance Sheet -  
Nonmajor Governmental Funds**

**June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,871,712	\$ 12,720,849	\$ 6,398,421	\$ 29,990,982
Accounts receivable	-	1,300	-	1,300
Other receivables	188,496	65,171	45,372	299,039
Due from other funds	299,588	-	-	299,588
Due from component unit	66,752	-	-	66,752
Due from other governments	1,502,105	109,515	-	1,611,620
Notes receivable	<u>11,645,480</u>	<u>-</u>	<u>-</u>	<u>11,645,480</u>
 Total assets	 <u>\$ 24,574,133</u>	 <u>\$ 12,896,835</u>	 <u>\$ 6,443,793</u>	 <u>\$ 43,914,761</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 103,191	\$ 183,027	\$ -	\$ 286,218
Due to other funds	299,098	91,612	-	390,710
Accrued liabilities	604	-	-	604
Customer and escrow deposits	175,658	-	-	175,658
Deferred revenues	<u>195,203</u>	<u>1,300</u>	<u>-</u>	<u>196,503</u>
 Total liabilities	 <u>773,754</u>	 <u>275,939</u>	 <u>-</u>	 <u>1,049,693</u>
Fund balances:				
Reserved for encumbrances	381,132	1,471,208	17,500	1,869,840
Reserved by State statute	1,931,342	175,986	45,372	2,152,700
Reserved for loans	13,562,969	-	-	13,562,969
Reserved for firemen's relief	126,764	-	-	126,764
Reserved for capital projects	-	10,973,702	-	10,973,702
Reserved for debt service	-	-	6,380,921	6,380,921
Reserved for convention center facility	5,310,319	-	-	5,310,319
Unreserved and undesignated	<u>2,487,853</u>	<u>-</u>	<u>-</u>	<u>2,487,853</u>
 Total fund balances	 <u>23,800,379</u>	 <u>12,620,896</u>	 <u>6,443,793</u>	 <u>42,865,068</u>
 Total liabilities and fund balances	 <u>\$ 24,574,133</u>	 <u>\$ 12,896,835</u>	 <u>\$ 6,443,793</u>	 <u>\$ 43,914,761</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Combining Balance Sheet - Nonmajor Special Revenue Funds

**June 30, 2006**

	Special Purpose Fund	Community Development Fund	Home Investment Partnership Fund	Rental Rehabilitation Loan Fund	Commercial Loan Fund	UDAG Loan Fund	Rehabilitation Loan Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 8,555,058	\$ -	\$ -	\$ 540,076	\$ -	\$ -	\$ 724,011
Other receivables	62,897	-	-	3,838	-	-	5,143
Due from other funds	299,588	-	-	-	-	-	-
Due from component unit	66,752	-	-	-	-	-	-
Due from other governments	1,177,073	112,497	212,535	-	-	-	-
Notes receivable	-	-	-	72,252	714,025	36,770	2,728,911
<b>Total assets</b>	<b><u>\$10,161,368</u></b>	<b><u>\$ 112,497</u></b>	<b><u>\$ 212,535</u></b>	<b><u>\$ 616,166</u></b>	<b><u>\$ 714,025</u></b>	<b><u>\$ 36,770</u></b>	<b><u>\$ 3,458,065</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 45,173	\$ 25,934	\$ -	\$ -	\$ -	\$ -	\$ 19,088
Due to other funds	-	86,563	212,535	-	-	-	-
Accrued liabilities	604	-	-	-	-	-	-
Customer and escrow deposits	-	-	-	20,173	-	-	11,686
Deferred revenues	4,945	-	-	-	17,084	-	-
<b>Total liabilities</b>	<b><u>50,722</u></b>	<b><u>112,497</u></b>	<b><u>212,535</u></b>	<b><u>20,173</u></b>	<b><u>17,084</u></b>	<b><u>-</u></b>	<b><u>30,774</u></b>
Fund balances:							
Reserved for encumbrances	170,964	10,168	200,000	-	-	-	-
Reserved by State statute	1,606,310	112,497	212,535	-	-	-	-
Reserved for loans	-	-	-	595,993	696,941	36,770	3,427,291
Reserved for firemen's relief	-	-	-	-	-	-	-
Reserved for convention center facility	5,310,319	-	-	-	-	-	-
Unreserved and undesignated (deficit)	3,023,053	(122,665)	(412,535)	-	-	-	-
<b>Total fund balances</b>	<b><u>10,110,646</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>595,993</u></b>	<b><u>696,941</u></b>	<b><u>36,770</u></b>	<b><u>3,427,291</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$10,161,368</u></b>	<b><u>\$ 112,497</u></b>	<b><u>\$ 212,535</u></b>	<b><u>\$ 616,166</u></b>	<b><u>\$ 714,025</u></b>	<b><u>\$ 36,770</u></b>	<b><u>\$ 3,458,065</u></b>

CDBG HOP Loan Fund	GF HOP Loan Fund	Home Loan Fund	Economic Development Loan Fund	CHDO Proceeds Fund	Firemen's Relief Fund	Firemen's Benefit Fund	Total Nonmajor Special Revenue Funds
\$ 355,110	\$ 272,200	\$ -	\$ 266,490	\$ 141,269	\$ 17,498	\$ -	\$ 10,871,712
2,521	1,934	-	1,893	1,004	109,266	-	188,496
-	-	-	-	-	-	-	299,588
-	-	-	-	-	-	-	66,752
-	-	-	-	-	-	-	1,502,105
<u>1,393,689</u>	<u>2,633,146</u>	<u>3,893,699</u>	<u>172,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,645,480</u>
<u>\$ 1,751,320</u>	<u>\$ 2,907,280</u>	<u>\$ 3,893,699</u>	<u>\$ 441,371</u>	<u>\$ 142,273</u>	<u>\$ 126,764</u>	<u>\$ -</u>	<u>\$ 24,574,133</u>
\$ 8,211	\$ -	\$ -	\$ 4,785	\$ -	\$ -	\$ -	\$ 103,191
-	-	-	-	-	-	-	299,098
-	-	-	-	-	-	-	604
401	1,125	-	-	142,273	-	-	175,658
<u>-</u>	<u>-</u>	<u>-</u>	<u>173,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,203</u>
<u>8,612</u>	<u>1,125</u>	<u>-</u>	<u>177,959</u>	<u>142,273</u>	<u>-</u>	<u>-</u>	<u>773,754</u>
-	-	-	-	-	-	-	381,132
-	-	-	-	-	-	-	1,931,342
1,742,708	2,906,155	3,893,699	263,412	-	-	-	13,562,969
-	-	-	-	-	126,764	-	126,764
-	-	-	-	-	-	-	5,310,319
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,487,853</u>
<u>1,742,708</u>	<u>2,906,155</u>	<u>3,893,699</u>	<u>263,412</u>	<u>-</u>	<u>126,764</u>	<u>-</u>	<u>23,800,379</u>
<u>\$ 1,751,320</u>	<u>\$ 2,907,280</u>	<u>\$ 3,893,699</u>	<u>\$ 441,371</u>	<u>\$ 142,273</u>	<u>\$ 126,764</u>	<u>\$ -</u>	<u>\$ 24,574,133</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Balance Sheet -  
Nonmajor Capital Projects Funds**

**June 30, 2006**

	Streets and Sidewalks Fund	Parks and Recreation Fund	Public Improvements Fund	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,331,687	\$ 2,824,930	\$ 564,232	\$ 12,720,849
Accounts receivable	1,300	-	-	1,300
Interest receivable	41,096	20,067	4,008	65,171
Due from other governments	109,450	65	-	109,515
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 9,483,533</u>	<u>\$ 2,845,062</u>	<u>\$ 568,240</u>	<u>\$ 12,896,835</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 179,274	\$ 3,753	\$ -	\$ 183,027
Due to other funds	-	-	91,612	91,612
Deferred revenues	1,300	-	-	1,300
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>180,574</u>	<u>3,753</u>	<u>91,612</u>	<u>275,939</u>
Fund balances:				
Reserved for encumbrances	1,372,128	84,080	15,000	1,471,208
Reserved by State statute	151,846	20,132	4,008	175,986
Reserved for capital projects	7,778,985	2,737,097	457,620	10,973,702
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>9,302,959</u>	<u>2,841,309</u>	<u>476,628</u>	<u>12,620,896</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 9,483,533</u>	<u>\$ 2,845,062</u>	<u>\$ 568,240</u>	<u>\$ 12,896,835</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds**

**Year Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Room occupancy tax	\$ 2,274,818	\$ -	\$ -	\$ 2,274,818
Restricted intergovernmental	2,257,199	416,769	-	2,673,968
Investment earnings	343,960	404,364	99,487	847,811
Donations	-	265,883	-	265,883
Miscellaneous	1,186,256	137,354	-	1,323,610
Total revenues	<u>6,062,233</u>	<u>1,224,370</u>	<u>99,487</u>	<u>7,386,090</u>
Expenditures:				
General government	-	39,137	-	39,137
Public safety	562,295	-	-	562,295
Transportation	460,281	2,153,538	-	2,613,819
Economic and physical development	1,708,454	-	-	1,708,454
Cultural and recreational	35	556,098	-	556,133
Debt service:				
Principal retirement	-	-	4,658,821	4,658,821
Interest and other charges	-	-	3,355,149	3,355,149
Total expenditures	<u>2,731,065</u>	<u>2,748,773</u>	<u>8,013,970</u>	<u>13,493,808</u>
Excess of revenues over (under) expenditures	<u>3,331,168</u>	<u>(1,524,403)</u>	<u>(7,914,483)</u>	<u>(6,107,718)</u>
Other financing sources (uses):				
Transfers from other funds	2,894,201	2,235,000	9,906,000	15,035,201
Transfers to other funds	<u>(1,507,876)</u>	<u>-</u>	<u>-</u>	<u>(1,507,876)</u>
Total other financing sources	<u>1,386,325</u>	<u>2,235,000</u>	<u>9,906,000</u>	<u>13,527,325</u>
Net change in fund balances	4,717,493	710,597	1,991,517	7,419,607
Fund balances at beginning of year	<u>19,082,886</u>	<u>11,910,299</u>	<u>4,452,276</u>	<u>35,445,461</u>
Fund balances at end of year	<u>\$ 23,800,379</u>	<u>\$ 12,620,896</u>	<u>\$ 6,443,793</u>	<u>\$ 42,865,068</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Special Revenue Funds**

**Year Ended June 30, 2006**

	Special Purpose Fund	Community Development Fund	Home Investment Partnership Fund	Rental Rehabilitation Loan Fund	Commercial Loan Fund	UDAG Loan Fund	Rehabilitation Loan Fund
Revenues:							
Room occupancy tax	\$ 2,274,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted intergovernmental	532,223	983,384	741,592	-	-	-	-
Investment earnings	249,525	-	-	25,182	-	27,900	5,317
Miscellaneous	<u>1,069,040</u>	<u>3,810</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>967</u>
Total revenues	<u>4,125,606</u>	<u>987,194</u>	<u>741,592</u>	<u>25,682</u>	<u>-</u>	<u>27,900</u>	<u>6,284</u>
Expenditures:							
Public safety	457,513	-	-	-	-	-	-
Transportation	460,281	-	-	-	-	-	-
Economic and physical develop	77,479	1,164,183	17,523	-	-	384,799	31,511
Cultural and recreational	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>995,308</u>	<u>1,164,183</u>	<u>17,523</u>	<u>-</u>	<u>-</u>	<u>384,799</u>	<u>31,511</u>
Excess of revenues over (under) expenditures	<u>3,130,298</u>	<u>(176,989)</u>	<u>724,069</u>	<u>25,682</u>	<u>-</u>	<u>(356,899)</u>	<u>(25,227)</u>
Other financing sources (uses):							
Transfers from other funds	1,395,685	176,989	154,785	-	-	-	-
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(878,854)</u>	<u>(47,316)</u>	<u>(5,028)</u>	<u>(9,360)</u>	<u>(308,545)</u>
Total other financing sources	<u>1,395,685</u>	<u>176,989</u>	<u>(724,069)</u>	<u>(47,316)</u>	<u>(5,028)</u>	<u>(9,360)</u>	<u>(308,545)</u>
Net change in fund balances	4,525,983	-	-	(21,634)	(5,028)	(366,259)	(333,772)
Fund balances at beginning of year	<u>5,584,663</u>	<u>-</u>	<u>-</u>	<u>617,627</u>	<u>701,969</u>	<u>403,029</u>	<u>3,761,063</u>
Fund balances at end of year	<u>\$10,110,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,993</u>	<u>\$ 696,941</u>	<u>\$ 36,770</u>	<u>\$ 3,427,291</u>



CDBG HOP Loan Fund	GF HOP Loan Fund	Home Loan Fund	Economic Development Loan Fund	CHDO Proceeds Fund	CHDO Proceeds Fund	Firemen's Relief Fund	Firemen's Benefit Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ 2,274,818
-	-	-	-	-	-	-	-	2,257,199
1,305	10,959	8,485	13,441	-	-	1,846	-	343,960
-	-	2,697	100	-	-	109,142	-	1,186,256
<u>1,305</u>	<u>10,959</u>	<u>11,182</u>	<u>13,541</u>	<u>-</u>	<u>-</u>	<u>110,988</u>	<u>-</u>	<u>6,062,233</u>
-	-	-	-	-	-	-	104,782	562,295
-	-	-	-	-	-	-	-	460,281
-	22,100	10,859	-	-	-	-	-	1,708,454
-	-	-	-	-	-	-	-	35
-	22,100	10,859	-	-	-	-	104,782	2,731,065
<u>1,305</u>	<u>(11,141)</u>	<u>323</u>	<u>13,541</u>	<u>-</u>	<u>-</u>	<u>110,988</u>	<u>(104,782)</u>	<u>3,331,168</u>
183,900	-	878,854	-	-	-	-	103,988	2,894,201
-	-	(154,785)	-	-	-	(103,988)	-	(1,507,876)
<u>183,900</u>	<u>-</u>	<u>724,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,988)</u>	<u>103,988</u>	<u>1,386,325</u>
185,205	(11,141)	724,392	13,541	-	-	7,000	(794)	4,717,493
<u>1,557,503</u>	<u>2,917,296</u>	<u>3,169,307</u>	<u>249,871</u>	<u>-</u>	<u>-</u>	<u>119,764</u>	<u>794</u>	<u>19,082,886</u>
<u>\$ 1,742,708</u>	<u>\$ 2,906,155</u>	<u>\$ 3,893,699</u>	<u>\$ 263,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,764</u>	<u>\$ -</u>	<u>\$ 23,800,379</u>

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**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Capital Projects Funds**

**Year Ended June 30, 2006**

	Streets and Sidewalks Fund	Parks and Recreation Fund	Public Improvements Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Restricted intergovernmental	\$ 366,769	\$ 50,000	\$ -	\$ 416,769
Investment earnings	310,380	75,604	18,380	404,364
Donations	265,883	-	-	265,883
Miscellaneous	137,354	-	-	137,354
	<u>1,080,386</u>	<u>125,604</u>	<u>18,380</u>	<u>1,224,370</u>
Total revenues				
Expenditures:				
General government	-	-	39,137	39,137
Transportation	2,152,735	-	803	2,153,538
Cultural and recreational	-	556,098	-	556,098
	<u>2,152,735</u>	<u>556,098</u>	<u>39,940</u>	<u>2,748,773</u>
Total expenditures				
Excess of expenditures over revenues	<u>(1,072,349)</u>	<u>(430,494)</u>	<u>(21,560)</u>	<u>(1,524,403)</u>
Other financing sources:				
Transfers from other funds	<u>1,274,000</u>	<u>961,000</u>	<u>-</u>	<u>2,235,000</u>
Net change in fund balances	201,651	530,506	(21,560)	710,597
Fund balances at beginning of year	<u>9,101,308</u>	<u>2,310,803</u>	<u>498,188</u>	<u>11,910,299</u>
Fund balances at end of year	<u>\$ 9,302,959</u>	<u>\$ 2,841,309</u>	<u>\$ 476,628</u>	<u>\$ 12,620,896</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Net Assets -  
Nonmajor Enterprise Funds**

**June 30, 2006**

	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,652,424	\$ 8,767,564	\$ 2,302,741
Accounts receivable:			
Customers, net	62,646	-	-
Other	24,559	90,648	22,533
Due from other governments	120	88,541	-
Inventory of materials and supplies	<u>-</u>	<u>57,692</u>	<u>-</u>
Total current assets	<u>2,739,749</u>	<u>9,004,445</u>	<u>2,325,274</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	<u>864,637</u>	<u>-</u>	<u>19,794</u>
Capital assets:			
Land	-	400,783	1,355,954
Improvements other than buildings	-	25,837,602	-
Buildings, plant and structures	-	-	12,235,702
Furniture, fixtures, machinery and equipment	-	183,488	87,311
Construction in progress	-	2,506,590	240,424
Less accumulated depreciation	<u>-</u>	<u>(12,726,307)</u>	<u>(2,707,842)</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>16,202,156</u>	<u>11,211,549</u>
Other assets:			
Deferred charges, net	<u>-</u>	<u>23,458</u>	<u>153,428</u>
Total noncurrent assets	<u>864,637</u>	<u>16,225,614</u>	<u>11,384,771</u>
Total assets	<u>3,604,386</u>	<u>25,230,059</u>	<u>13,710,045</u>

Golf Fund	Total Nonmajor Funds
\$ 969,261	\$ 14,691,990
-	62,646
8,970	146,710
677	89,338
8,049	65,741
<u>986,957</u>	<u>15,056,425</u>
-	884,431
109,393	1,866,130
739,576	26,577,178
290,903	12,526,605
354,137	624,936
-	2,747,014
<u>(922,813)</u>	<u>(16,356,962)</u>
<u>571,196</u>	<u>27,984,901</u>
-	176,886
<u>571,196</u>	<u>29,046,218</u>
<u>1,558,153</u>	<u>44,102,643</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Net Assets -  
Nonmajor Enterprise Funds (Continued)**

**June 30, 2006**

	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable:			
Trade	\$ 239,678	\$ 20,708	\$ 6,895
Contracts and retainage	-	146,014	198
Due to other governments	-	-	-
Accrued liabilities:			
Personnel costs	22,913	21,575	648
Interest	3,357	47,792	38,281
Current portion of long-term liabilities:			
Bonds payable	-	428,522	-
Installment obligations	203,175	75,000	406,431
Other long-term obligations	-	-	179,060
Accrued vacation and sick leave	143,178	155,083	1,822
Customer and escrow deposits	-	119,105	-
Unearned revenues	-	34,966	-
	<u>612,301</u>	<u>1,048,765</u>	<u>633,335</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable	-	3,106,784	-
Installment obligations	660,825	1,380,442	8,487,896
Other long-term obligations	-	-	376,751
Total noncurrent portion of long-term liabilities	<u>660,825</u>	<u>4,487,226</u>	<u>8,864,647</u>
Accrued vacation and sick leave	<u>26,592</u>	<u>28,803</u>	<u>338</u>
	<u>687,417</u>	<u>4,516,029</u>	<u>8,864,985</u>
Total noncurrent liabilities			
	<u>1,299,718</u>	<u>5,564,794</u>	<u>9,498,320</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	11,234,866	1,934,633
Restricted for:			
Capital projects	-	1,555,464	-
Unrestricted	<u>2,304,668</u>	<u>6,874,935</u>	<u>2,277,092</u>
	<u>\$ 2,304,668</u>	<u>\$ 19,665,265</u>	<u>\$ 4,211,725</u>
Net assets			

<u>Golf Fund</u>	<u>Total Nonmajor Funds</u>
\$ 24,332	\$ 291,613
-	146,212
365	365
4,885	50,021
-	89,430
-	428,522
-	684,606
-	179,060
23,201	323,284
-	119,105
<u>19,119</u>	<u>54,085</u>
<u>71,902</u>	<u>2,366,303</u>
-	3,106,784
-	10,529,163
-	376,751
-	14,012,698
<u>4,308</u>	<u>60,041</u>
<u>4,308</u>	<u>14,072,739</u>
<u>76,210</u>	<u>16,439,042</u>
571,196	13,740,695
-	1,555,464
<u>910,747</u>	<u>12,367,442</u>
<u>\$ 1,481,943</u>	<u>\$ 27,663,601</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Nonmajor Enterprise Funds**

**Year Ended June 30, 2006**

	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
Revenues:			
Charges for services	\$ 6,566,883	\$ 5,662,224	\$ 1,866,433
Other operating revenues	<u>-</u>	<u>36,210</u>	<u>-</u>
Total operating revenues	<u>6,566,883</u>	<u>5,698,434</u>	<u>1,866,433</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	2,224,379	2,357,347	60,709
Materials and fuels consumed	1,067,236	426,695	2,521
Services	462,933	528,735	739,350
Utilities	10,118	7,139	31,607
Depreciation	-	1,282,918	640,695
Amortization	-	1,234	6,974
Other operating expenses	<u>3,050,005</u>	<u>794,394</u>	<u>101,626</u>
Total operating expenses	<u>6,814,671</u>	<u>5,398,462</u>	<u>1,583,482</u>
Operating income (loss)	<u>(247,788)</u>	<u>299,972</u>	<u>282,951</u>
Nonoperating revenues (expenses):			
Investment earnings	77,833	238,309	71,080
Hurricane disaster assistance	-	72,521	-
Interest and other charges	(3,429)	(124,665)	(410,420)
Gain on retirement of capital assets	<u>350</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>74,754</u>	<u>186,165</u>	<u>(339,340)</u>
Income (loss) before capital contributions, special item and transfers	(173,034)	486,137	(56,389)
Capital contributions	-	361,642	-
Special item: Construction in progress abandonment, net	-	-	(404,397)
Transfers from other funds	<u>410,314</u>	<u>-</u>	<u>380,000</u>
Change in net assets	237,280	847,779	(80,786)
Net assets at beginning of year	<u>2,067,388</u>	<u>18,817,486</u>	<u>4,292,511</u>
Net assets at end of year	<u><u>\$ 2,304,668</u></u>	<u><u>\$ 19,665,265</u></u>	<u><u>\$ 4,211,725</u></u>



Golf Fund	Total Nonmajor Funds
\$ 946,786	\$ 15,042,326
100	36,310
<u>946,886</u>	<u>15,078,636</u>
433,643	5,076,078
196,856	1,693,308
26,944	1,757,962
29,442	78,306
67,918	1,991,531
-	8,208
<u>152,924</u>	<u>4,098,949</u>
<u>907,727</u>	<u>14,704,342</u>
<u>39,159</u>	<u>374,294</u>
26,093	413,315
-	72,521
(307)	(538,821)
<u>75,000</u>	<u>75,350</u>
<u>100,786</u>	<u>22,365</u>
139,945	396,659
-	361,642
-	(404,397)
<u>-</u>	<u>790,314</u>
139,945	1,144,218
<u>1,341,998</u>	<u>26,519,383</u>
<u>\$ 1,481,943</u>	<u>\$ 27,663,601</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Cash Flows -  
Nonmajor Enterprise Funds**

**Year Ended June 30, 2006**

	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
Cash flows from operating activities:			
Receipts from customers and users	\$ 6,546,825	\$ 4,476,153	\$ 1,879,682
Receipts from interfund services provided	-	1,179,502	-
Payments to suppliers	(4,197,927)	(1,426,471)	(914,912)
Payments to or on behalf of employees	(2,224,971)	(2,330,314)	(59,459)
Payments for interfund services used	<u>(444,699)</u>	<u>(406,570)</u>	<u>(2,622)</u>
Net cash provided by (used in) operating activities	<u>(320,772)</u>	<u>1,492,300</u>	<u>902,689</u>
Cash flows from noncapital and related financing activities:			
Transfers from other funds	410,314	-	380,000
Hurricane disaster assistance	<u>-</u>	<u>72,521</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>410,314</u>	<u>72,521</u>	<u>380,000</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	-	(1,243,724)	(170,005)
Proceeds from other long-term obligations	864,000	-	-
Principal payments on bonds	-	(428,521)	-
Principal payments on installment obligations	-	(70,000)	(171,431)
Principal payments on other long-term obligations	-	-	(173,124)
Interest and other charges	(72)	(128,100)	(412,382)
Proceeds from retirement of capital assets	350	-	-
Capital contributions	<u>-</u>	<u>84,446</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>864,278</u>	<u>(1,785,899)</u>	<u>(926,942)</u>
Cash flows from investing activities:			
Investment earnings	<u>74,684</u>	<u>232,439</u>	<u>64,511</u>
Net increase in cash and cash equivalents	1,028,504	11,361	420,258
Cash and cash equivalents at beginning of year	<u>2,488,557</u>	<u>8,756,203</u>	<u>1,902,277</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,517,061</u></u>	<u><u>\$ 8,767,564</u></u>	<u><u>\$ 2,322,535</u></u>
Reconciliation to combining balance sheet:			
Cash and cash equivalents	\$ 2,652,424	\$ 8,767,564	\$ 2,302,741
Restricted cash and cash equivalents	<u>864,637</u>	<u>-</u>	<u>19,794</u>
Total cash and cash equivalents	<u><u>\$ 3,517,061</u></u>	<u><u>\$ 8,767,564</u></u>	<u><u>\$ 2,322,535</u></u>

Golf Fund	Total Nonmajor Funds
\$ 940,915	\$ 13,843,575
-	1,179,502
(368,817)	(6,908,127)
(426,894)	(5,041,638)
<u>(8,290)</u>	<u>(862,181)</u>
<u>136,914</u>	<u>2,211,131</u>
-	790,314
<u>-</u>	<u>72,521</u>
-	862,835
-	(1,413,729)
-	864,000
-	(428,521)
-	(241,431)
(24,270)	(197,394)
(363)	(540,917)
75,000	75,350
<u>-</u>	<u>84,446</u>
<u>50,367</u>	<u>(1,798,196)</u>
<u>23,647</u>	<u>395,281</u>
210,928	1,671,051
<u>758,333</u>	<u>13,905,370</u>
<u>\$ 969,261</u>	<u>\$ 15,576,421</u>
\$ 969,261	\$ 14,691,990
<u>-</u>	<u>884,431</u>
<u>\$ 969,261</u>	<u>\$ 15,576,421</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Cash Flows -  
Nonmajor Enterprise Funds (Continued)**

**Year Ended June 30, 2006**

	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (247,788)	\$ 299,972	\$ 282,951
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	1,284,152	647,669
Changes in assets and liabilities:			
Accounts receivable	(20,058)	(12,873)	-
Due from other governments	-	-	13,249
Inventory of materials and supplies	-	9,157	-
Accounts payable and accrued liabilities	(47,443)	(80,119)	(42,283)
Accrued vacation and sick leave	(5,483)	21,917	1,103
Deferred revenues	<u>-</u>	<u>(29,906)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (320,772)</u>	<u>\$ 1,492,300</u>	<u>\$ 902,689</u>
Supplemental disclosure of noncash investing, capital and related financing activities:			
Capital assets acquired on account	\$ -	\$ 57,040	\$ (246,633)
Capital contributions from developers	-	196,000	-
Construction in progress abandonment	-	-	404,397
Capital contributions receivable	-	81,196	-

<u>Golf Fund</u>	<u>Total Nonmajor Funds</u>
\$ 39,159	\$ 374,294
67,918	1,999,739
(549)	(33,480)
-	13,249
17,622	26,779
13,303	(156,542)
4,883	22,420
<u>(5,422)</u>	<u>(35,328)</u>
<u>\$ 136,914</u>	<u>\$ 2,211,131</u>

\$ -	\$ (189,593)
-	196,000
-	404,397
-	81,196

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Changes in Long-term Liabilities -  
Enterprise Funds**

**Year Ended June 30, 2006**

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>
Water and Sewer Fund:				
General obligation bonds	\$ 29,634,473	\$ -	\$ 2,746,932	\$ 26,887,541
Revenue bonds	18,418,416	62,400,000	10,414,299	70,404,117
Other long-term obligations	22,158	-	22,158	-
Accrued vacation and sick leave	<u>679,652</u>	<u>601,470</u>	<u>542,186</u>	<u>738,936</u>
	<u>48,754,699</u>	<u>63,001,470</u>	<u>13,725,575</u>	<u>98,030,594</u>
Ground Water Utility Fund:				
Installment obligations	19,720,000	17,235,000	17,605,000	19,350,000
Accrued vacation and sick leave	<u>32,408</u>	<u>39,211</u>	<u>34,011</u>	<u>37,608</u>
	<u>19,752,408</u>	<u>17,274,211</u>	<u>17,639,011</u>	<u>19,387,608</u>
Solid Waste Management Fund:				
Other long-term obligations	-	864,000	-	864,000
Accrued vacation and sick leave	<u>175,253</u>	<u>207,965</u>	<u>213,448</u>	<u>169,770</u>
	<u>175,253</u>	<u>1,071,965</u>	<u>213,448</u>	<u>1,033,770</u>
Storm Water Management Fund:				
General obligation bonds	3,963,826	-	428,522	3,535,304
Installment obligations	1,465,000		70,000	1,395,000
Accrued vacation and sick leave	<u>161,969</u>	<u>195,442</u>	<u>173,525</u>	<u>183,886</u>
	<u>5,590,795</u>	<u>195,442</u>	<u>672,047</u>	<u>5,114,190</u>
Golf Fund:				
Other long-term obligations	24,270	-	24,270	-
Accrued vacation and sick leave	<u>22,626</u>	<u>24,469</u>	<u>19,585</u>	<u>27,510</u>
	<u>46,896</u>	<u>24,469</u>	<u>43,855</u>	<u>27,510</u>
Parking Facilities Fund:				
Installment obligations	9,065,758	-	171,431	8,894,327
Other long-term obligations	728,935	-	173,124	555,811
Accrued vacation and sick leave	<u>1,057</u>	<u>4,760</u>	<u>3,657</u>	<u>2,160</u>
	<u>9,795,750</u>	<u>4,760</u>	<u>348,212</u>	<u>9,452,298</u>
	<u>\$ 84,115,801</u>	<u>\$ 81,572,317</u>	<u>\$ 32,642,148</u>	<u>\$ 133,045,970</u>

**THE GENERAL FUND TAB (FRONT)**

**THE GENERAL FUND TAB (BACK)**



**CITY OF WILMINGTON, NORTH CAROLINA**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance Positive (Negative)	2005 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$ 39,646,112	\$ 40,344,559	\$ 698,447	\$ 38,704,343
Prior years	735,000	566,878	(168,122)	708,084
Penalties and interest	145,000	154,698	9,698	176,703
Total	<u>40,526,112</u>	<u>41,066,135</u>	<u>540,023</u>	<u>39,589,130</u>
Other taxes:				
Local option sales tax	14,476,000	16,252,524	1,776,524	14,799,445
Franchise tax	4,845,000	4,829,914	(15,086)	4,580,235
Rental vehicle tax	180,000	170,860	(9,140)	161,076
Total	<u>19,501,000</u>	<u>21,253,298</u>	<u>1,752,298</u>	<u>19,540,756</u>
Unrestricted intergovernmental:				
Beer and wine	416,850	418,364	1,514	410,176
ABC revenue	575,000	930,485	355,485	646,008
Court fees	75,000	60,877	(14,123)	69,829
Total	<u>1,066,850</u>	<u>1,409,726</u>	<u>342,876</u>	<u>1,126,013</u>
Restricted intergovernmental:				
Powell bill	2,879,196	2,820,203	(58,993)	2,795,336
Categorical grants:				
Transportation	1,617,504	281,805	(1,335,699)	1,619,890
Hurricane disaster assistance	-	715,365	715,365	70,725
Other	267,166	236,408	(30,758)	236,201
Total	<u>4,763,866</u>	<u>4,053,781</u>	<u>(710,085)</u>	<u>4,722,152</u>
Licenses and permits:				
Privilege licenses	1,350,000	1,582,353	232,353	1,489,476
Motor vehicle licenses	345,000	366,066	21,066	355,895
CATV fees	1,150,000	1,296,965	146,965	1,230,419
Other permits and fees	100,000	188,176	88,176	159,896
Total	<u>2,945,000</u>	<u>3,433,560</u>	<u>488,560</u>	<u>3,235,686</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues: (continued)				
Sales and services:				
Parking collections	\$ -	\$ 175	\$ 175	\$ 780
Charges to water and sewer	1,316,230	1,316,230	-	1,345,330
Charges to storm water	550,000	550,000	-	550,000
Charges to ground water	25,750	25,750	-	25,750
Charges to community development	425,000	425,734	734	425,795
Charges to home program	50,000	50,000	-	50,031
Charges to solid waste	447,212	447,212	-	447,212
Charges to golf course	75,080	75,080	-	75,080
Charges to parking facilities	40,000	40,000	-	29,000
Charges to water & sewer capital projects	37,500	-	(37,500)	-
Charges to storm water capital projects	37,500	-	(37,500)	-
Recreation department sales and service	458,000	500,873	42,873	425,881
Other departmental charges	918,500	1,408,338	489,838	833,396
Central services charges	45,000	48,504	3,504	38,365
Total	<u>4,425,772</u>	<u>4,887,896</u>	<u>462,124</u>	<u>4,246,620</u>
Fines and forfeits:				
Fire code violations	5,000	8,850	3,850	6,760
Civil citations	50,000	89,343	39,343	61,008
Total	<u>55,000</u>	<u>98,193</u>	<u>43,193</u>	<u>67,768</u>
Interest earnings:				
Investment earnings	480,000	1,198,968	718,968	646,175
Interest on liens	-	4,507	4,507	3,648
Total	<u>480,000</u>	<u>1,203,475</u>	<u>723,475</u>	<u>649,823</u>
Miscellaneous:				
Sale of real estate, equipment and material	-	23,804	23,804	11,669
Rents	110,000	105,175	(4,825)	105,175
Other	153,100	113,947	(39,153)	25,636
Total	<u>263,100</u>	<u>242,926</u>	<u>(20,174)</u>	<u>142,480</u>
Total revenues	<u>74,026,700</u>	<u>77,648,990</u>	<u>3,622,290</u>	<u>73,320,428</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Expenditures:				
General government:				
City Council and Clerk	\$ 341,445	\$ 329,078	\$ 12,367	\$ 315,136
City Manager	1,253,285	1,187,252	66,033	1,300,761
City Attorney	718,175	667,613	50,562	615,238
Human Resource Management	669,590	674,376	(4,786)	619,921
Finance	2,379,612	2,121,068	258,544	2,917,154
Information Technology Services	1,522,519	1,486,864	35,655	2,114,110
Development Services	3,372,325	3,163,692	208,633	3,105,605
Public Services	2,080,616	1,939,334	141,282	1,847,011
Contributions to other agencies	196,162	188,617	7,545	160,619
Nondepartmental	4,395,281	4,119,659	275,622	1,412,292
Total	<u>16,929,010</u>	<u>15,877,553</u>	<u>1,051,457</u>	<u>14,407,847</u>
Public safety:				
Police	19,424,102	19,024,703	399,399	18,089,419
Fire	12,061,444	12,271,930	(210,486)	11,552,822
Total	<u>31,485,546</u>	<u>31,296,633</u>	<u>188,913</u>	<u>29,642,241</u>
Transportation:				
Traffic engineering	3,610,264	3,017,914	592,350	2,870,020
Streets	1,836,194	1,724,419	111,775	1,711,386
Storm water management fee	1,179,502	1,179,502	-	1,368,740
Total	<u>6,625,960</u>	<u>5,921,835</u>	<u>704,125</u>	<u>5,950,146</u>
Economic and physical development:				
Economic and community development	2,223,241	1,941,523	281,718	1,961,356
Contributions to other agencies	793,793	379,801	413,992	570,312
Total	<u>3,017,034</u>	<u>2,321,324</u>	<u>695,710</u>	<u>2,531,668</u>
Cultural and recreational:				
Parks and recreation	4,800,134	4,489,641	310,493	4,315,452
Contributions to other agencies	306,200	306,200	-	196,200
Total	<u>5,106,334</u>	<u>4,795,841</u>	<u>310,493</u>	<u>4,511,652</u>
Transit system:				
Cape Fear Public Transportation Authority	<u>2,020,620</u>	<u>827,836</u>	<u>1,192,784</u>	<u>2,835,153</u>
Hurricane disaster recovery	<u>-</u>	<u>396,542</u>	<u>(396,542)</u>	<u>899,162</u>
Total expenditures	<u>65,184,504</u>	<u>61,437,564</u>	<u>3,746,940</u>	<u>60,777,869</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Excess of revenues over expenditures	\$ 8,842,196	\$ 16,211,426	\$ 7,369,230	\$ 12,542,559
Other financing sources (uses):				
Operating transfers - in:				
Special Purpose Fund	<u>860,000</u>	<u>-</u>	<u>(860,000)</u>	<u>851,318</u>
Operating transfers - out:				
Debt Service Fund	(9,906,000)	(9,906,000)	-	(11,000,000)
Special Purpose Fund	(1,415,185)	(1,386,325)	28,860	(239,264)
Streets and Sidewalks Fund	(1,274,000)	(1,274,000)	-	(1,930,000)
Parks and Recreation Fund	(961,000)	(961,000)	-	(575,000)
Building Improvements Fund	(4,499,000)	(4,499,000)	-	(3,587,589)
Parking Facilities Capital Projects Fund	(380,000)	(380,000)	-	-
Solid Waste Management Fund	(410,314)	(410,314)	-	(401,606)
Total operating transfers - out	<u>(18,845,499)</u>	<u>(18,816,639)</u>	<u>28,860</u>	<u>(17,733,459)</u>
Issuance of other long-term obligation	-	273,803	273,803	1,184,184
Appropriated fund balance	<u>9,143,303</u>	<u>-</u>	<u>(9,143,303)</u>	<u>-</u>
Total other financing uses	<u>(8,842,196)</u>	<u>(18,542,836)</u>	<u>(9,700,640)</u>	<u>(15,697,957)</u>
Net change in fund balance	<u>\$ -</u>	(2,331,410)	<u>\$ (2,331,410)</u>	(3,155,398)
Fund balance at beginning of year		28,920,845		32,138,056
Change in reserve for inventories		<u>69,996</u>		<u>(61,813)</u>
Fund balance at end of year		<u>\$ 26,659,431</u>		<u>\$ 28,920,845</u>

**SPECIAL REVENUE FUNDS TAB (FRONT)**

**SPECIAL REVENUE FUNDS TAB (BACK)**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Special Purpose Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Taxes:					
Room occupancy tax	\$ -	\$ 3,035,500	\$ 2,274,818	\$ 5,310,318	\$ 5,310,318
Restricted intergovernmental:					
Federal grants	7,794,026	6,884,417	257,987	7,142,404	(651,622)
State grants	6,985,561	6,207,712	249,236	6,456,948	(528,613)
Other governments	140,492	57,968	25,000	82,968	(57,524)
Total restricted intergovernmental	14,920,079	13,150,097	532,223	13,682,320	(1,237,759)
Investment earnings	333,723	377,748	249,525	627,273	293,550
Miscellaneous revenues:					
Red light traffic cameras	2,222,000	2,861,772	1,045,224	3,906,996	1,684,996
Other program income	119,794	224,152	21,921	246,073	126,279
Donations	74,589	46,579	1,895	48,474	(26,115)
Sale of property	6,615	6,615	-	6,615	-
Total miscellaneous revenues	2,422,998	3,139,118	1,069,040	4,208,158	1,785,160
Total revenues	17,676,800	19,702,463	4,125,606	23,828,069	6,151,269
Expenditures:					
Public safety projects:					
Bulletproof Vest Partnership	191,732	116,781	68,097	184,878	6,854
Dreambuilders	159,555	54,071	79,167	133,238	26,317
Local Law Enforcement Block Grant	264,647	210,811	48,484	259,295	5,352
Streetwalkers Addiction Taskforce	80,000	59,446	-	59,446	20,554
Youth Fitness and Mentoring	80,837	36,661	-	36,661	44,176
Chamber of Commerce K-9	6,075	6,075	-	6,075	-
Child Safety Seats	5,000	4,635	-	4,635	365
Fireboat grant	1,700,000	-	-	-	1,700,000
Dreams Prevention Arts	30,453	-	29,830	29,830	623
Education: The Great Equalizer	66,025	-	66,025	66,025	-
Justice assistance grant	143,943	-	68,209	68,209	75,734
Santa cop program	750	-	750	750	-
Governors Highway Safety grant	113,000	-	5,040	5,040	107,960
SABLE - Helicopter unit	138,982	-	69,399	69,399	69,583
Fire Prevention and Safety	25,812	-	-	-	25,812
Firefighter equipment	329,894	-	-	-	329,894
Project Safe Neighborhoods	15,666	-	-	-	15,666
Rankin After School Program	2,875	2,784	91	2,875	-
Kids Making It	85,090	60,000	-	60,000	25,090
Cop camp	7,823	4,706	820	5,526	2,297
Community gun violence prosecution	149,844	149,844	-	149,844	-
Kids and Families Making It	81,168	81,166	-	81,166	2
COPS Homeland Security overtime	59,988	50,322	3,844	54,166	5,822
Milkbone K-9	5,000	5,000	-	5,000	-
Federal Fire Act equipment	168,531	155,354	10,076	165,430	3,101

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Special Purpose Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures:(continued)					
Public safety projects: (continued)					
Homeland Security	\$ 21,739	\$ 21,165	\$ -	\$ 21,165	\$ 574
Federal Forfeiture	912,160	848,503	1,639	850,142	62,018
North Carolina Drug Tax	207,993	201,943	6,042	207,985	8
Court Judgments	14,451	14,450	-	14,450	1
Project ASSIST	1,000	1,000	-	1,000	-
Total public safety	<u>5,070,033</u>	<u>2,084,717</u>	<u>457,513</u>	<u>2,542,230</u>	<u>2,527,803</u>
Transportation:					
Transportation demand coordinator	214,453	90,383	77,742	168,125	46,328
McMillan Avenue bike path	287,220	196,032	-	196,032	91,188
Red light traffic cameras	2,153,800	1,795,448	382,539	2,177,987	(24,187)
WTA bus purchase	4,798,400	4,798,400	-	4,798,400	-
WTA capital purchase	1,318,000	1,317,289	-	1,317,289	711
Transit capital purchases	233,446	211,304	-	211,304	22,142
Transit operating capital	40,093	25,887	-	25,887	14,206
NCDOT state maintenance	82,059	82,059	-	82,059	-
Total transportation	<u>9,127,471</u>	<u>8,516,802</u>	<u>460,281</u>	<u>8,977,083</u>	<u>150,388</u>
Economic and physical development projects:					
Brownfield Pilots Cooperative					
Agreement	300,000	294,702	-	294,702	5,298
Affordable housing program	1,035,000	636,555	73,499	710,054	324,946
Homeownership services	25,450	3,444	3,980	7,424	18,026
Dudley School	3,000	3,000	-	3,000	-
UDAG Income Projects	440,875	409,288	-	409,288	31,587
Trolley Station	3,716	2,123	-	2,123	1,593
Government Information Channel	50,000	47,510	-	47,510	2,490
Total economic and physical development	<u>1,858,041</u>	<u>1,396,622</u>	<u>77,479</u>	<u>1,474,101</u>	<u>383,940</u>
Cultural and recreational projects:					
Fitness Trail equipment	2,300	-	-	-	2,300
Storm water outreach demonstration project	144,000	143,842	-	143,842	158
July Fourth celebration	5,000	3,566	-	3,566	1,434
Carousel restoration	1,720	1,526	-	1,526	194
Nautical festival	51,375	48,466	-	48,466	2,909
Greenfield Lake outreach	28,646	28,615	-	28,615	31
Wilmington railroad caboose	4,713	-	-	-	4,713
Wilmington railroad pavilion	85,500	-	-	-	85,500
Bicycle Advisory	6,150	4,370	35	4,405	1,745
Total cultural and recreational	<u>329,404</u>	<u>230,385</u>	<u>35</u>	<u>230,420</u>	<u>98,984</u>
Total expenditures	<u>16,384,949</u>	<u>12,228,526</u>	<u>995,308</u>	<u>13,223,834</u>	<u>3,161,115</u>
Excess of revenues over expenditures	<u>1,291,851</u>	<u>7,473,937</u>	<u>3,130,298</u>	<u>10,604,235</u>	<u>9,312,384</u>

(Continued)



**CITY OF WILMINGTON, NORTH CAROLINA**

**Special Purpose Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project	Actual			Variance
	Authorization	Prior	Current	Totals	Positive
		Years	Year	to Date	(Negative)
Other financing sources (uses):					
Operating transfers - in:					
UDAG Loan Fund	\$ 817,412	\$ 684,701	\$ 9,360	\$ 694,061	\$ (123,351)
Community Development Fund	297,120	297,120	-	297,120	-
GF-HOP Loan Fund	1,000,000	1,000,000	-	1,000,000	-
Storm Water Management Fund	38,333	38,307	-	38,307	(26)
General Fund	2,331,630	1,054,696	1,386,325	2,441,021	109,391
Total operating transfers - in	<u>4,484,495</u>	<u>3,074,824</u>	<u>1,395,685</u>	<u>4,470,509</u>	<u>(13,986)</u>
Operating transfers - out:					
General Fund	(4,845,267)	(4,588,057)	-	(4,588,057)	257,210
Streets and Sidewalks Fund	(68,200)	-	-	-	68,200
Economic Development Loan Fund	(488,825)	-	-	-	488,825
UDAG Loan Fund	(46,130)	(46,130)	-	(46,130)	-
Home Investment Partnership Fund	(249,202)	(249,202)	-	(249,202)	-
Total operating transfers - out	<u>(5,697,624)</u>	<u>(4,883,389)</u>	<u>-</u>	<u>(4,883,389)</u>	<u>814,235</u>
Transfers to component unit	<u>(78,722)</u>	<u>(81,004)</u>	<u>-</u>	<u>(81,004)</u>	<u>(2,282)</u>
Total other financing sources (uses)	<u>(1,291,851)</u>	<u>(1,889,569)</u>	<u>1,395,685</u>	<u>(493,884)</u>	<u>797,967</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,584,368</u>	<u>4,525,983</u>	<u>\$ 10,110,351</u>	<u>\$ 10,110,351</u>
Fund balance at beginning of year			<u>5,584,663</u>		
Fund balance at end of year			<u>\$ 10,110,646</u>		

**CITY OF WILMINGTON, NORTH CAROLINA**

**Community Development Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 9,607,361	\$ 7,792,719	\$ 983,384	\$ 8,776,103	\$ (831,258)
Miscellaneous revenues:					
Sale of property	4,080	27,080	-	27,080	23,000
Insurance reimbursement	200	400	-	400	200
Refunds	917,450	917,450	3,810	921,260	3,810
Total miscellaneous revenues	921,730	944,930	3,810	948,740	27,010
Total revenues	10,529,091	8,737,649	987,194	9,724,843	(804,248)
Expenditures:					
Economic and physical development projects:					
Acquisition	638,076	307,076	331,000	638,076	-
Public facilities	1,342,054	1,060,921	130,988	1,191,909	150,145
Demolition	132,022	98,315	8,890	107,205	24,817
Northside clearance program	152,475	-	-	-	152,475
Domestic Violence	88,000	68,000	20,000	88,000	-
Shelter for homeless	300,500	255,486	45,000	300,486	14
Community Boys Club	264,847	254,847	10,000	264,847	-
Shaw-Speaks Center	14,852	14,852	-	14,852	-
Lot cleaning	63,901	63,901	-	63,901	-
Volunteers of America	197,145	179,145	18,000	197,145	-
Coastal Horizon Center	19,294	19,294	-	19,294	-
Girls, Inc.	80,600	80,600	-	80,600	-
Family Services	319,049	292,048	27,000	319,048	1
Cop program	95,757	95,757	-	95,757	-
Coalition of Success	13,500	13,500	-	13,500	-
Head Start of Wilmington	112,411	112,411	-	112,411	-
St. Stephens homeless shelter	2,850	2,847	-	2,847	3
Stepping Stone Manor	9,000	9,000	-	9,000	-
Cure AIDS of Wilmington	15,000	15,000	-	15,000	-
Mercy House shelter	10,000	10,000	-	10,000	-
Dreams of Wilmington	75,000	60,000	14,887	74,887	113
Food Bank of Coastal Carolina	12,000	2,000	10,000	12,000	-
Bottom Neighborhood Association	21,517	21,516	-	21,516	1
Brigade Boys and Girls Club	162,000	162,000	-	162,000	-
Leading Into New Communities	94,324	69,323	25,000	94,323	1
Amigos International	9,871	10,298	-	10,298	(427)
First Fruit Ministries	40,000	30,000	10,000	40,000	-
Housing counseling	30,000	20,000	500	20,500	9,500
Carousel Center	10,000	10,000	-	10,000	-
Wilmington interfaith network	10,000	10,000	-	10,000	-

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Community Development Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Economic and physical development projects:(continued)					
Neighborhood grant program	\$ 71,586	\$ 55,664	\$ 15,922	\$ 71,586	\$ -
YWCA - Kids Making It	10,000	-	10,000	10,000	-
Legal aid	10,000	-	-	-	10,000
Relocation	39,345	22,120	6,157	28,277	11,068
Energy repairs/housing	192,902	125,836	34,529	160,365	32,537
Wilmington Community Coalition	148,375	125,990	1,926	127,916	20,459
North Fourth Street revitalization	194,645	194,006	-	194,006	639
Castle Street	12,123	11,709	-	11,709	414
Business training	17,886	32,459	5,882	38,341	(20,455)
Economic development	201,754	165,976	12,768	178,744	23,010
Charges for services	3,264,810	2,839,810	425,734	3,265,544	(734)
Equipment/administration	18,000	18,001	-	18,001	(1)
Code enforcement	508,000	508,000	-	508,000	-
Planning	10,000	10,000	-	10,000	-
Total expenditures	<u>9,035,471</u>	<u>7,457,708</u>	<u>1,164,183</u>	<u>8,621,891</u>	<u>413,580</u>
Excess of revenues over (under) expenditures	<u>1,493,620</u>	<u>1,279,941</u>	<u>(176,989)</u>	<u>1,102,952</u>	<u>(390,668)</u>
Other financing sources (uses):					
Operating transfers - in:					
Commercial Loan Fund	305,205	304,277	5,028	309,305	4,100
Economic Development Loan Fund	42,700	42,701	-	42,701	1
Rehabilitation Loan Fund	169,645	45,000	124,645	169,645	-
Rental Rehabilitation Loan Fund	<u>94,585</u>	<u>91,588</u>	<u>47,316</u>	<u>138,904</u>	<u>44,319</u>
Total operating transfers - in	<u>612,135</u>	<u>483,566</u>	<u>176,989</u>	<u>660,555</u>	<u>48,420</u>
Operating transfers - out:					
Loan Funds	(1,562,771)	(1,220,535)	-	(1,220,535)	342,236
Streets and Sidewalks Fund	(92,984)	(92,972)	-	(92,972)	12
Parks and Recreation Fund	<u>(450,000)</u>	<u>(450,000)</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>
Total operating transfers - out	<u>(2,105,755)</u>	<u>(1,763,507)</u>	<u>-</u>	<u>(1,763,507)</u>	<u>342,248</u>
Total other financing sources (uses)	<u>(1,493,620)</u>	<u>(1,279,941)</u>	<u>176,989</u>	<u>(1,102,952)</u>	<u>390,668</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>		
Fund balance at end of year			<u>\$ -</u>		

**CITY OF WILMINGTON, NORTH CAROLINA**

**Home Investment Partnership Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 3,956,569	\$ 1,839,741	\$ 741,592	\$ 2,581,333	\$ (1,375,236)
Miscellaneous	148,130	148,356	-	148,356	226
Total revenues	<u>4,104,699</u>	<u>1,988,097</u>	<u>741,592</u>	<u>2,729,689</u>	<u>(1,375,010)</u>
Expenditures:					
Economic and physical development projects:					
Community Development Housing					
Organizations	1,578,790	1,052,024	113,625	1,165,649	413,141
Housing construction	200,000	151,039	(151,039)	-	200,000
Homeless rental housing	450,000	250,000	-	250,000	200,000
Charges for services	280,031	230,031	50,000	280,031	-
Relocation assistance	<u>35,071</u>	<u>61,892</u>	<u>4,937</u>	<u>66,829</u>	<u>(31,758)</u>
Total expenditures	<u>2,543,892</u>	<u>1,744,986</u>	<u>17,523</u>	<u>1,762,509</u>	<u>781,383</u>
Excess of revenues over expenditures	<u>1,560,807</u>	<u>243,111</u>	<u>724,069</u>	<u>967,180</u>	<u>(593,627)</u>
Other financing sources (uses):					
Operating transfers - in:					
Home Loan Fund	660,512	512,713	154,785	667,498	6,986
Operating transfers - out:					
Home Loan Fund	<u>(2,221,319)</u>	<u>(755,824)</u>	<u>(878,854)</u>	<u>(1,634,678)</u>	<u>586,641</u>
Total other financing uses	<u>(1,560,807)</u>	<u>(243,111)</u>	<u>(724,069)</u>	<u>(967,180)</u>	<u>593,627</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>		
Fund balance at end of year			<u>\$ -</u>		

**CAPITAL PROJECT FUNDS TAB (FRONT)**

**CAPITAL PROJECT FUNDS TAB (BACK)**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Streets and Sidewalks Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 2,003,832	\$ 349,527	\$ 366,769	\$ 716,296	\$ (1,287,536)
Investment earnings	1,293,500	1,389,175	310,380	1,699,555	406,055
Donations	297,403	126,120	265,883	392,003	94,600
Miscellaneous	496,285	625,707	137,354	763,061	266,776
Total revenues	4,091,020	2,490,529	1,080,386	3,570,915	(520,105)
<b>Expenditures:</b>					
<b>Transportation:</b>					
Utility cuts program	496,285	253,627	220,203	473,830	22,455
Streets and sidewalk inventory	78,208	78,208	-	78,208	-
Pine Valley sidewalks	274,034	274,034	-	274,034	-
Fifth Street bridge	664,000	-	452	452	663,548
Bridge repairs 2004-05	100,000	-	4,969	4,969	95,031
Street rehabilitation 2004-05	484,303	180	-	180	484,123
Independence Boulevard phase II	4,308,258	187,789	187,898	375,687	3,932,571
Intersection improvements	135,500	10,035	12,591	22,626	112,874
Neighborhood traffic management	400,000	-	78,041	78,041	321,959
New Centre/Sigmon Drive improvements	200,000	200,000	-	200,000	-
Masonboro/Pine Grove intersection	235,000	-	-	-	235,000
Eastwood Road path	29,214	-	-	-	29,214
Military Cutoff preservation maps	300,000	34,800	243,064	277,864	22,136
New sidewalk construction 2004-05	168,907	-	-	-	168,907
Independence Boulevard phase III	3,401,000	-	-	-	3,401,000
North downtown streetscape	2,150,000	-	97,468	97,468	2,052,532
Gingerwood collector plan	7,000	-	6,708	6,708	292
Hoggard school fence	175,000	-	-	-	175,000
Ringo Drive extension	271,273	-	105,116	105,116	166,157
Taylor Homes Improvements	420,000	-	-	-	420,000
Independence Boulevard 2000-01	956,677	954,213	-	954,213	2,464
Sidewalk construction 2000-01	55,090	55,089	-	55,089	1
Traffic signal improvement	80,745	786	-	786	79,959
Greenville Loop Road bridge	84,386	75,185	9,200	84,385	1
Brunswick Street brick enhancements	157,377	157,377	-	157,377	-
Sidewalk rehabilitation 2001-02	431,324	430,852	-	430,852	472
Sidewalk assessment program	100,000	-	-	-	100,000
Eastwood Road bike path	545,240	161,909	111,131	273,040	272,200
Wrightsville and MacMillan Avenues	205,200	124	-	124	205,076
Dawson/Wooster street improvements	222,000	-	147	147	221,853
Marstellar CSX railroad crossing	15,000	-	-	-	15,000
Park Avenue paved shoulders	245,000	234,663	1,609	236,272	8,728
Wooster Street sidewalks	165,000	520	5,626	6,146	158,854
Dudley School property	95,046	-	93,292	93,292	1,754
Street rehabilitation 2003-04	1,894,024	467,471	627,347	1,094,818	799,206
Randall Parkway widening	3,605,455	205,982	126,606	332,588	3,272,867
Underground utility placement	318,743	11,000	-	11,000	307,743

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Streets and Sidewalks Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project	Actual			Variance
	Authorization	Prior	Current	Totals	Positive
		Years	Year	to Date	(Negative)
Expenditures (continued):					
Transportation (continued):					
New street paving	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
Sidewalk rehabilitation and repairs	720,947	348,769	204,712	553,481	167,466
Sidewalk construction 2003-04	231,366	620	-	620	230,746
Woodale and Mallard Street bike path	234,592	-	-	-	234,592
Military Cutoff bike path	250,000	-	-	-	250,000
Community College sidewalks	13,860	13,860	-	13,860	-
Transit capital grant match	152,000	8,501	-	8,501	143,499
Love Grove Access	64,792	-	16,555	16,555	48,237
New sidewalk construction 1995-96	158,000	158,000	-	158,000	-
Street rehabilitation 1996-97	677,076	677,076	-	677,076	-
Water Street improvements	235,754	235,753	-	235,753	1
Park Avenue paving	1,471,867	1,471,743	-	1,471,743	124
Wrightsville Avenue reconstruction	1,399,597	1,399,597	-	1,399,597	-
Street resurfacing 1997-98	40,807	40,807	-	40,807	-
Live Oak/Park Avenue rehabilitation	12,318	12,318	-	12,318	-
Total expenditures	<u>29,637,265</u>	<u>8,160,888</u>	<u>2,152,735</u>	<u>10,313,623</u>	<u>19,323,642</u>
Excess of expenditures over revenues	<u>(25,546,245)</u>	<u>(5,670,359)</u>	<u>(1,072,349)</u>	<u>(6,742,708)</u>	<u>18,803,537</u>
Other financing sources (uses):					
Operating transfers - in:					
General Fund	8,795,169	7,816,391	1,274,000	9,090,391	295,222
Operating transfers - out:					
Parks and Recreation Fund	(95,000)	(95,000)	-	(95,000)	-
Issuance of bonds	14,418,076	6,647,276	-	6,647,276	(7,770,800)
Issuance of installment obligations	<u>2,428,000</u>	<u>403,000</u>	<u>-</u>	<u>403,000</u>	<u>(2,025,000)</u>
Total other financing sources	<u>25,546,245</u>	<u>14,771,667</u>	<u>1,274,000</u>	<u>16,045,667</u>	<u>(9,500,578)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,101,308</u>	<u>201,651</u>	<u>\$ 9,302,959</u>	<u>\$ 9,302,959</u>
Fund balance at beginning of year			<u>9,101,308</u>		
Fund balance at end of year			<u>\$ 9,302,959</u>		



**CITY OF WILMINGTON, NORTH CAROLINA**

**Parks and Recreation Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 975,000	\$ 1,075,000	\$ 50,000	\$ 1,125,000	\$ 150,000
Investment earnings	715,375	822,495	75,604	898,099	182,724
Donations	80,000	80,000	-	80,000	-
Total revenues	<u>1,770,375</u>	<u>1,977,495</u>	<u>125,604</u>	<u>2,103,099</u>	<u>332,724</u>
<b>Expenditures:</b>					
<b>Cultural and recreational:</b>					
Playground improvements 1999-2000	173,250	173,250	-	173,250	-
Riverwalk South	2,754,500	2,694,669	39,295	2,733,964	20,536
Riverwalk North	1,598,650	1,508,240	7,525	1,515,765	82,885
Park facility improvements 2004-05	211,373	8,202	140,161	148,363	63,010
Maides Park improvements	200,000	17,905	30,933	48,838	151,162
Soccer complex support	100,000	50,000	50,000	100,000	-
Empie tennis court renovations	125,000	-	108,668	108,668	16,332
Halyburton playground	50,000	-	9,844	9,844	40,156
Recreation master plan	50,000	-	4,006	4,006	45,994
1898 Memorial Park	20,000	-	-	-	20,000
Alley improvements	50,000	-	-	-	50,000
Park improvements 2000-01	120,048	120,048	-	120,048	-
Greenfield amphitheater	650,000	225,371	-	225,371	424,629
Park improvements 2002-03	28,239	28,239	-	28,239	-
Riverfront Park improvements	106,700	47,186	-	47,186	59,514
Community Arts center	100,000	16,528	-	16,528	83,472
Market Street landing dock	40,800	-	-	-	40,800
Land acquisition and economic development	500,000	-	5,238	5,238	494,762
Park improvements 2003-04	174,750	66,109	108,641	174,750	-
Godwin Stadium	206,375	206,374	-	206,374	1
Riverwalk signage	150,000	-	-	-	150,000
Intracoastal waterway park	75,000	1,800	-	1,800	73,200
Greenfield trail restoration	67,400	39,161	28,239	67,400	-
Legion Stadium	6,940,000	6,296,563	19,104	6,315,667	624,333
South 17th Street park	1,946,493	1,905,876	4,444	1,910,320	36,173
Riverwalk South - Muter's Alley	261,042	254,792	-	254,792	6,250
Total expenditures	<u>16,699,620</u>	<u>13,660,313</u>	<u>556,098</u>	<u>14,216,411</u>	<u>2,483,209</u>
Excess of expenditures over revenues	<u>(14,929,245)</u>	<u>(11,682,818)</u>	<u>(430,494)</u>	<u>(12,113,312)</u>	<u>2,815,933</u>
<b>Other financing sources:</b>					
<b>Operating transfers - in:</b>					
General Fund	3,740,052	2,799,355	961,000	3,760,355	20,303
Streets and Sidewalks Fund	70,000	70,000	-	70,000	-
Public Improvements Fund	-	5,000	-	5,000	5,000
Total operating transfers - in	<u>3,810,052</u>	<u>2,874,355</u>	<u>961,000</u>	<u>3,835,355</u>	<u>25,303</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Parks and Recreation Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project	Actual		Totals	Variance
	Authorization	Prior	Current	to Date	Positive
		Years	Year		(Negative)
Other financing sources (continued):					
Issuance of bonds	\$ 2,821,493	\$ 2,821,493	\$ -	\$ 2,821,493	\$ -
Issuance of installment obligations	<u>8,297,700</u>	<u>8,297,773</u>	<u>-</u>	<u>8,297,773</u>	<u>73</u>
Total other financing sources	<u>14,929,245</u>	<u>13,993,621</u>	<u>961,000</u>	<u>14,954,621</u>	<u>25,376</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 2,310,803</u>	<u>530,506</u>	<u>\$ 2,841,309</u>	<u>\$ 2,841,309</u>
Fund balance at beginning of year			<u>2,310,803</u>		
Fund balance at end of year			<u>\$ 2,841,309</u>		

**CITY OF WILMINGTON, NORTH CAROLINA**

**Building Improvements Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	\$ 421,886	\$ 325,494	\$ 4,104	\$ 329,598	\$ (92,288)
Investment earnings	1,694,581	976,745	952,585	1,929,330	234,749
Sale of real estate	1,163,370	1,162,979	-	1,162,979	(391)
Rents	-	-	950	950	950
Donations	250,000	250,000	-	250,000	-
Miscellaneous	-	5,958	-	5,958	5,958
<b>Total revenues</b>	<b>3,529,837</b>	<b>2,721,176</b>	<b>957,639</b>	<b>3,678,815</b>	<b>148,978</b>
<b>Expenditures:</b>					
<b>General government:</b>					
Kenan fountain restoration	312,209	299,250	12,958	312,208	1
City Hall/Thalian Hall	272,917	254,885	-	254,885	18,032
Convention Center	4,313,200	242,314	552,417	794,731	3,518,469
Building improvements 2004-05	279,462	-	216,667	216,667	62,795
Joint City-County Emergency Operations Center	285,000	-	202,056	202,056	82,944
ITS server consolidation	180,000	179,013	-	179,013	987
Bus garage	709,089	-	-	-	709,089
2004 Multimodal facility study	43,892	-	-	-	43,892
ITS infrastructure improvements	50,000	-	42,332	42,332	7,668
Hilton riverwalk bulkhead	85,000	-	24,000	24,000	61,000
City Hall improvements	100,000	-	-	-	100,000
Time & attendance system	380,045	-	284,536	284,536	95,509
Call center renovations	15,000	-	14,021	14,021	979
Northern warehouse purchase	1,680,000	-	1,654,816	1,654,816	25,184
Underground railroad kiosk	25,000	-	-	-	25,000
Community Arts Center	2,172,541	-	133,471	133,471	2,039,070
Administrative office building	1,481,824	1,291,787	4,000	1,295,787	186,037
City council chambers	650,000	324,189	65,297	389,486	260,514
Multi-modal facility study	69,000	43,892	-	43,892	25,108
Building improvements 2002-03	195,538	192,136	3,402	195,538	-
Document imaging	120,000	35,312	18,060	53,372	66,628
Building security	250,000	57,170	50,480	107,650	142,350
Workorder system	250,000	247,756	-	247,756	2,244
Market Street landing dock	212,000	500	1,000	1,500	210,500
Land acquisition and economic development	3,803,500	50,300	3,753,200	3,803,500	-
CCTV upgrade and expansion	85,000	78,992	1,900	80,892	4,108
Wave transit facility	124,200	76,506	(8,501)	68,005	56,195
ADA compliance	100,000	-	1,274	1,274	98,726
Communication equipment - technology enhancements	1,693,894	1,685,669	-	1,685,669	8,225
Operations center	19,777,847	13,950,888	5,448,397	19,399,285	378,562
<b>Total general government</b>	<b>39,716,158</b>	<b>19,010,559</b>	<b>12,475,783</b>	<b>31,486,342</b>	<b>8,229,816</b>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Building Improvements Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures (continued):					
Public Safety:					
Police building	\$ 24,000,000	\$ 2,567,738	\$ 15,416,886	\$ 17,984,624	\$ 6,015,376
Training facility	3,500,000	-	-	-	3,500,000
Seagate annexation fire station 1998	1,640,000	-	650,212	650,212	989,788
Fire station improvements 2000-01	150,848	150,848	-	150,848	-
Masonboro annexation fire station	2,897,935	713,064	705,808	1,418,872	1,479,063
Annexation fire stations	2,536,269	2,536,241	-	2,536,241	28
New fire headquarters	6,529,534	6,528,665	-	6,528,665	869
Total public safety	<u>41,254,586</u>	<u>12,496,556</u>	<u>16,772,906</u>	<u>29,269,462</u>	<u>11,985,124</u>
Total expenditures	<u>80,970,744</u>	<u>31,507,115</u>	<u>29,248,689</u>	<u>60,755,804</u>	<u>20,214,940</u>
Excess of expenditures over revenues	<u>(77,440,907)</u>	<u>(28,785,939)</u>	<u>(28,291,050)</u>	<u>(57,076,989)</u>	<u>20,363,918</u>
Other financing sources:					
Operating transfers - in:					
General Fund	14,834,608	10,336,129	4,499,000	14,835,129	521
Issuance of bonds	317,308	317,785	-	317,785	477
Issuance of installment obligations	62,288,991	52,471,038	-	52,471,038	(9,817,953)
Premium on installment obligations	-	1,860,258	-	1,860,258	1,860,258
Total other financing sources	<u>77,440,907</u>	<u>64,985,210</u>	<u>4,499,000</u>	<u>69,484,210</u>	<u>(7,956,697)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 36,199,271</u>	<u>(23,792,050)</u>	<u>\$ 12,407,221</u>	<u>\$ 12,407,221</u>
Fund balance at beginning of year			<u>36,199,271</u>		
Fund balance at end of year			<u>\$ 12,407,221</u>		

**CITY OF WILMINGTON, NORTH CAROLINA**

**Public Improvements Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 18,840	\$ 16,625	\$ -	\$ 16,625	\$ (2,215)
Investment earnings	227,138	265,683	18,380	284,063	56,925
Total revenues	245,978	282,308	18,380	300,688	54,710
Expenditures:					
Capital projects:					
Transportation - streets and sidewalks:					
Masonboro/Pine Grove intersection	30,000	-	420	420	29,580
Eastwood Road path	73,786	-	-	-	73,786
Underground utility placement	31,257	-	-	-	31,257
Sidewalk construction 2003-04	18,634	-	383	383	18,251
Northern gateway	77,750	2,750	-	2,750	75,000
Median restoration	32,451	27,998	-	27,998	4,453
Sidewalk construction 1995-96	25,297	25,296	-	25,296	1
Total transportation - streets and sidewalks	289,175	56,044	803	56,847	232,328
Cultural and recreational:					
Legion Stadium improvements	30,000	29,218	-	29,218	782
General government:					
Building improvements 2003-04	119,627	84,497	35,130	119,627	-
Building improvements 2004-05	80,373	-	-	-	80,373
ADA compliance	398,423	302,508	4,007	306,515	91,908
Annexation fire stations	25,803	-	-	-	25,803
Total general government	624,226	387,005	39,137	426,142	198,084
Total expenditures	943,401	472,267	39,940	512,207	431,194
Excess of expenditures over revenues	(697,423)	(189,959)	(21,560)	(211,519)	485,904
Other financing sources:					
Operating transfers - in:					
General Fund	697,423	697,423	-	697,423	-
Net change in fund balance	\$ -	\$ 507,464	(21,560)	\$ 485,904	\$ 485,904
Fund balance at beginning of year			498,188		
Fund balance at end of year			\$ 476,628		

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**DEBT SERVICE FUND TAB (FRONT)**

**DEBT SERVICE FUND TAB (BACK)**



**CITY OF WILMINGTON, NORTH CAROLINA**

**Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual**

**Year Ended June 30, 2006**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Investment earnings	\$ 100,000	\$ 99,487	\$ (513)	\$ 21,440
Total revenues	<u>100,000</u>	<u>99,487</u>	<u>(513)</u>	<u>21,440</u>
Expenditures:				
Debt service:				
Principal retirement	4,780,130	4,658,821	121,309	4,585,416
Interest and other charges	<u>3,356,812</u>	<u>3,355,149</u>	<u>1,663</u>	<u>2,131,877</u>
Total expenditures	<u>8,136,942</u>	<u>8,013,970</u>	<u>122,972</u>	<u>6,717,293</u>
Excess of expenditures over revenues	<u>(8,036,942)</u>	<u>(7,914,483)</u>	<u>122,459</u>	<u>(6,695,853)</u>
Other financing sources (uses):				
Operating transfers-in:				
General Fund	7,406,000	9,906,000	2,500,000	11,000,000
Issuance of installment obligations	-	-	-	8,285,000
Premium on installment obligations	-	-	-	398,236
Payment to redeem outstanding installment obligations	-	-	-	(8,535,107)
Appropriated fund balance	<u>630,942</u>	<u>-</u>	<u>(630,942)</u>	<u>-</u>
Total other financing sources	<u>8,036,942</u>	<u>9,906,000</u>	<u>1,869,058</u>	<u>11,148,129</u>
Net change in fund balance	<u>\$ -</u>	1,991,517	<u>\$ 1,991,517</u>	4,452,276
Fund balance at beginning of year		<u>4,452,276</u>		<u>-</u>
Fund balance at end of year		<u>\$ 6,443,793</u>		<u>\$ 4,452,276</u>

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**ENTERPRISE FUNDS TAB (FRONT)**

**ENTERPRISE FUNDS TAB (BACK)**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Water and Sewer Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Water charges	\$ 10,849,164	\$ 11,253,893	\$ 404,729	\$ 9,768,008
Sewer charges	13,061,228	13,911,306	850,078	12,562,385
Total charges for services	<u>23,910,392</u>	<u>25,165,199</u>	<u>1,254,807</u>	<u>22,330,393</u>
Other operating revenues:				
Connection or reconnection fees	1,343,000	1,241,332	(101,668)	1,785,155
Hydrant rentals	497,601	497,601	-	497,601
Fire protection charges	146,000	174,800	28,800	169,949
Total other operating revenues	<u>1,986,601</u>	<u>1,913,733</u>	<u>(72,868)</u>	<u>2,452,705</u>
Total operating revenues	<u>25,896,993</u>	<u>27,078,932</u>	<u>1,181,939</u>	<u>24,783,098</u>
Nonoperating revenues:				
Facility impact fees	1,650,000	2,274,635	624,635	1,967,203
Investment earnings	300,000	867,719	567,719	297,412
Hurricane disaster assistance	-	89,828	89,828	-
Total nonoperating revenues	<u>1,950,000</u>	<u>3,232,182</u>	<u>1,282,182</u>	<u>2,264,615</u>
Total revenues	<u>27,846,993</u>	<u>30,311,114</u>	<u>2,464,121</u>	<u>27,047,713</u>
Expenditures:				
Operating expenditures:				
Line maintenance and repair and billing and meter reading	3,403,509	3,354,726	48,783	2,745,096
Administration	503,476	433,059	70,417	389,037
Water treatment	4,314,292	4,176,879	137,413	4,405,526
Wastewater treatment	5,185,604	4,890,127	295,477	4,755,509
Environmental services	1,392,044	1,244,400	147,644	1,135,383
Miscellaneous	1,736,683	1,537,581	199,102	1,459,048
Total operating expenditures	<u>16,535,608</u>	<u>15,636,772</u>	<u>898,836</u>	<u>14,889,599</u>
Nonoperating expenditures:				
Interest and other charges	4,285,610	3,618,078	667,532	2,374,903
Hurricane disaster recovery	-	74,101	(74,101)	-
Principal payments on bonds	3,781,230	3,926,230	(145,000)	3,825,826
Principal payments on other long-term obligations	22,158	22,158	-	257,007
Reserved for debt service	255,354	-	255,354	-
Capital outlay:				
Administration	2,600	2,081	519	1,803
Water and sewer line improvements	207,234	164,422	42,812	307,058

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Water and Sewer Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Nonoperating expenditures: (continued)				
Water and wastewater treatment improvements	\$ 628,985	\$ 523,104	\$ 105,881	\$ 507,158
Environmental services	42,040	36,375	5,665	16,360
Total nonoperating expenditures	<u>9,225,211</u>	<u>8,366,549</u>	<u>858,662</u>	<u>7,290,115</u>
Total expenditures	<u>25,760,819</u>	<u>24,003,321</u>	<u>1,757,498</u>	<u>22,179,714</u>
Excess of revenues over expenditures	<u>2,086,174</u>	<u>6,307,793</u>	<u>4,221,619</u>	<u>4,867,999</u>
Other financing sources (uses):				
Operating transfers - out:				
Water and Sewer Capital Projects Fund	(4,073,900)	(4,073,900)	-	(1,044,000)
Issuance of bonds	-	5,335,561	5,335,561	-
Issuance of refunding bonds	11,003,998	9,560,000	(1,443,998)	-
Premium on refunding bonds	610,102	610,102	-	-
Payment to redeem outstanding bonds	(10,014,100)	(10,014,100)	-	-
Appropriated fund balance	387,726	-	(387,726)	-
Total other financing sources (uses), net	<u>(2,086,174)</u>	<u>1,417,663</u>	<u>3,503,837</u>	<u>(1,044,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>7,725,456</u>	<u>\$ 7,725,456</u>	<u>3,823,999</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Water and sewer charges accrual		548,532		(131,546)
Connection fees		(133,976)		(40,548)
Vacation and sick leave accrual		(59,285)		(8,224)
Change in inventory		42,131		18,484
Capital asset expenditures		374,045		440,718
Depreciation		(4,352,347)		(4,255,321)
Amortization		(162,576)		(124,477)
Other noncapital expenses - Water and Sewer Capital Projects Fund		(667,446)		(107,907)
Investment earnings - Water and Sewer Capital Projects Fund		1,865,066		313,400
Investment earnings accrual		(88,706)		49,637
Proceeds from refunding bonds		(5,491,563)		-
Interest expense accrual		313,194		(161,724)
Principal payments on bonds		3,926,230		3,825,826
Principal payments on other long-term obligations		22,158		257,007
Deferred charge - bond issuance costs		144,102		-
Operating transfer - Water and Sewer Capital Projects Fund		4,073,900		1,044,000
Capital contributions - others		143,567		709,200
Other		<u>759</u>		<u>(1,519)</u>
Change in net assets		<u>\$ 8,223,241</u>		<u>\$ 5,651,005</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Water and Sewer Capital Projects Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Investment earnings	\$ 9,669,765	\$ 10,807,124	\$ 1,865,066	\$ 12,672,190	\$ 3,002,425
Restricted intergovernmental	47,964,473	4,256,558	8,568,298	12,824,856	(35,139,617)
Other revenue	-	1,801	-	1,801	1,801
Total revenues	<u>57,634,238</u>	<u>15,065,483</u>	<u>10,433,364</u>	<u>25,498,847</u>	<u>(32,135,391)</u>
<b>Expenditures:</b>					
<b>Capital outlay:</b>					
Market Street drainage	168,000	166,695	-	166,695	1,305
Pump station flow meters	200,000	-	-	-	200,000
Pump station generators	678,000	666,689	-	666,689	11,311
Pump station 34 grit removal	200,000	-	-	-	200,000
Meares Street sewer	625,951	625,950	-	625,950	1
King's Bluff	697,500	493,824	-	493,824	203,676
Annexation 98 fire hydrants	684,527	684,526	-	684,526	1
SCP Utilities relocation	1,540,000	42,628	-	42,628	1,497,372
Sweetwater branch sewer	124,000	-	-	-	124,000
Northside heat exchanger	140,000	-	-	-	140,000
Corrosion control valve replacement	115,000	61,824	-	61,824	53,176
Water distribution system improvements	3,730,000	-	34,548	34,548	3,695,452
Meter replacement	3,660,000	-	683,552	683,552	2,976,448
ASR phase II field investigation	500,000	41,586	75,148	116,734	383,266
Fence replacement pump stations 10 and 14	80,000	-	-	-	80,000
Sewer condition assessment	999,300	-	191,400	191,400	807,900
Pump station painting	50,000	-	-	-	50,000
Pump station roofing	100,000	-	10,900	10,900	89,100
Pump station 2 improvements	100,000	-	-	-	100,000
Pump station 11 replacement	615,000	-	-	-	615,000
River road force main	580,000	-	457,852	457,852	122,148
NEI evaluation and improvements	562,000	-	472,213	472,213	89,787
Dawson Street tank #2	417,600	-	21,126	21,126	396,474
ASR phase III expansion	3,500,000	-	156,691	156,691	3,343,309
Water capital reserve	100,000	-	-	-	100,000
Cowan Station sewer outfall	340,134	340,133	-	340,133	1
Mineral Springs outfall	302,500	500	-	500	302,000
Annexation 98 sewers	3,762,680	821,019	373,868	1,194,887	2,567,793
Annexation 98 distribution mains	8,190,322	5,187,088	874,934	6,062,022	2,128,300
Greenville Loop Road bridge	20,600	20,600	-	20,600	-
Pump stations 10, 12, 14	724,917	483,103	193,088	676,191	48,726
Recycling pump station	566,142	555,515	-	555,515	10,627
Water system master plan	316,000	101,700	151,850	253,550	62,450
Downtown water/sewer rehabilitation	1,485,003	279,540	70,393	349,933	1,135,070

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Water and Sewer Capital Projects Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Capital outlay: (continued)					
Pump station 9	\$ 719,043	\$ 793	\$ 193,318	\$ 194,111	\$ 524,932
Sewer maintenance and replacement 2002-03	1,689,000	26,500	498,999	525,499	1,163,501
Downtown water/sewer rehabilitation 2002-03	110,000	-	-	-	110,000
Hazmat remediation	50,500	50,330	-	50,330	170
Water valve replacement 2002-03	100,000	-	-	-	100,000
Water laterals	50,000	14,526	-	14,526	35,474
Sweeney filter rehabilitation	150,000	145,293	-	145,293	4,707
Vulnerability assessment improvements	607,500	407,108	39,808	446,916	160,584
Sweeney study and construction	60,000	-	-	-	60,000
Water reuse project	5,000	-	-	-	5,000
Tank improvements	1,846,914	1,544,243	-	1,544,243	302,671
Annexation - sewer	700,000	673,037	-	673,037	26,963
Annexation - water	5,518,060	5,273,642	-	5,273,642	244,418
Pump Station 18 elimination	67,500	67,468	-	67,468	32
VFDs - PS 10,14, NS Effluent PS	1,542,499	1,542,498	-	1,542,498	1
Burnt Mill Creek outfall	3,259,196	3,153,562	-	3,153,562	105,634
Greenville Loop Road force main	265,000	24,480	-	24,480	240,520
Wrightsville Avenue reconstruction	451,400	394,175	-	394,175	57,225
New elevated water tank	3,356,215	3,189,950	-	3,189,950	166,265
Coleman Complex improvements	100,750	20,879	79,268	100,147	603
Upgrade pump station 5,6,8 and 11	622,000	3,383	-	3,383	618,617
Pump station 10 improvements	285,501	33,309	227,399	260,708	24,793
Pump station 12 emergency generator	440,394	440,293	-	440,293	101
Replace Northside trickling filter distributor	161,100	161,037	-	161,037	63
Southside WWTP compressor/rotometer	100,000	-	-	-	100,000
Paint/repair Southside WWTP #1 trickling filter	277,900	119,039	-	119,039	158,861
Southside WWTP expansion	450,000	272,212	-	272,212	177,788
Spring Branch outfall	146,652	146,652	-	146,652	-
Independence/Shipyard force main	3,063,374	3,053,423	-	3,053,423	9,951
Smith Creek outfall	233,180	4,030	18,114	22,144	211,036
Biosolids facility drainage pad/roof improvements	50,000	-	-	-	50,000
Annexation 95 water phase II	7,782,377	6,284,483	280,979	6,565,462	1,216,915
Oversizing water and sewer lines	455,528	150,313	-	150,313	305,215
Pump station 12 conveyor system	200,000	-	-	-	200,000
Pump station 34, 35 VFD control room improvements	1,400,000	66,247	97,229	163,476	1,236,524

(Continued)



**CITY OF WILMINGTON, NORTH CAROLINA**

**Water and Sewer Capital Projects Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Capital outlay: (continued)					
Pump station 14 bar screen replacement	\$ 260,680	\$ 258,489	\$ -	\$ 258,489	\$ 2,191
Pump station 36 bar screen improvement	45,000	42,634	-	42,634	2,366
Pump station 39 grinder	11,500	4,143	-	4,143	7,357
Northside WWTP expansion	81,744,717	4,452,464	17,021,405	21,473,869	60,270,848
Northside WWTP maintenance facility	557,513	557,513	-	557,513	-
Sewer line replacement	812,235	489,646	251,517	741,163	71,072
Sludge scales	30,000	-	-	-	30,000
Division Drive pump station	1,774,230	1,655,407	-	1,655,407	118,823
Annexation 98 water mains	6,292,971	6,292,966	(33,626)	6,259,340	33,631
Water valve replacement	888,000	477,608	317,325	794,933	93,067
Water laterals and services	440,000	3,284	-	3,284	436,716
800mhz equipment	229,548	229,547	-	229,547	1
Water and sewer street construction	300,000	208,388	-	208,388	91,612
Total expenditures	<u>165,578,153</u>	<u>52,507,914</u>	<u>22,759,298</u>	<u>75,267,212</u>	<u>90,310,941</u>
Excess of expenditures over revenues	<u>(107,943,915)</u>	<u>(37,442,431)</u>	<u>(12,325,934)</u>	<u>(49,768,365)</u>	<u>58,175,550</u>
Other financing sources:					
Operating transfers - in:					
Water and Sewer Fund	38,693,968	34,690,070	4,073,900	38,763,970	70,002
Issuance of bonds	68,729,901	19,373,036	49,882,485	69,255,521	525,620
Appropriated fund balance	<u>520,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(520,046)</u>
Total other financing sources	<u>107,943,915</u>	<u>54,063,106</u>	<u>53,956,385</u>	<u>108,019,491</u>	<u>75,576</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 16,620,675</u>	<u>\$ 41,630,451</u>	<u>\$ 58,251,126</u>	<u>\$ 58,251,126</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Ground Water Utility Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Water charges	\$ 4,213,000	\$ 4,187,193	\$ (25,807)	\$ 3,958,412
Other operating revenues:				
Connection or reconnection fees	79,500	47,795	(31,705)	78,252
Total operating revenues	4,292,500	4,234,988	(57,512)	4,036,664
Nonoperating revenues:				
Investment earnings	30,000	87,242	57,242	48,492
Total revenues	4,322,500	4,322,230	(270)	4,085,156
Expenditures:				
Operating expenditures:				
Collections and billing	363,189	350,636	12,553	332,759
Water treatment	1,978,294	1,972,756	5,538	1,359,609
Line maintenance and repair and meter reading	422,180	437,938	(15,758)	322,293
Miscellaneous	33,053	33,053	-	25,750
Total operating expenditures	2,796,716	2,794,383	2,333	2,040,411
Nonoperating expenditures:				
Interest and other charges	1,122,468	1,245,904	(123,436)	1,060,610
Principal payments on installment obligations	640,000	640,000	-	615,000
Capital outlay:				
Collections and billing	2,100	1,870	230	7,375
Water treatment improvements	-	-	-	4,000
Water line improvements	18,800	7,920	10,880	8,954
Total nonoperating expenditures	1,783,368	1,895,694	(112,326)	1,695,939
Total expenditures	4,580,084	4,690,077	(109,993)	3,736,350
Excess of revenues over (under) expenditures	(257,584)	(367,847)	(110,263)	348,806
Other financing sources (uses):				
Issuance of refunding installment obligations	17,235,000	17,235,000	-	-
Premium on refunding installment obligations	606,056	606,056	-	-
Payment to redeem outstanding installment obligations	(17,744,836)	(17,744,836)	-	-
Appropriated fund balance	161,364	-	(161,364)	-
Total other financing sources, net	257,584	96,220	(161,364)	-
Net change in fund balance	\$ -	(271,627)	\$ (271,627)	348,806

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Ground Water Utility Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
			<u>2005 Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Water charges accrual		\$ 158,111	\$ (80,311)
Vacation and sick leave accrual		(5,200)	(11,143)
Depreciation		(453,712)	(453,713)
Amortization		(11,208)	(18,804)
Investment earnings accrual		(6,448)	1,147
Proceeds from refunding installment obligations		(96,220)	-
Principal payments on installment obligations		640,000	615,000
Deferred charge - bond issuance costs		212,963	-
Interest expense accrual		<u>(3,205)</u>	<u>733</u>
 Change in net assets		 <u>\$ 163,454</u>	 <u>\$ 401,715</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Solid Waste Management Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Operating revenues:				
Charges for services:				
Refuse collection	\$ 6,548,213	\$ 6,546,438	\$ (1,775)	\$ 6,474,956
Recycling	10,000	20,446	10,446	12,693
Total operating revenues	6,558,213	6,566,884	8,671	6,487,649
Operating expenditures:				
Administration	294,440	301,392	(6,952)	277,082
Customer refuse	4,728,687	3,781,684	947,003	3,826,068
Recycling	623,152	555,304	67,848	572,741
Yard waste	1,242,292	1,233,377	8,915	1,252,860
Special services	270,614	244,936	25,678	236,627
Downtown collection	280,536	256,231	24,305	247,872
Miscellaneous	449,485	447,212	2,273	447,212
Total operating expenditures	7,889,206	6,820,136	1,069,070	6,860,462
Excess of operating expenditures over revenues	(1,330,993)	(253,252)	1,077,741	(372,813)
Nonoperating revenues (expenditures):				
Investment earnings	75,000	85,219	10,219	41,750
Miscellaneous	-	332	332	-
Interest and other charges	(2,371)	(72)	2,299	-
Principal payments on other long-term obligations	(16,900)	-	16,900	-
Total nonoperating revenues, net	55,729	85,479	29,750	41,750
Excess of expenditures over revenues	(1,275,264)	(167,773)	1,107,491	(331,063)
Other financing sources:				
Operating transfer - in:				
General Fund	410,314	410,314	-	401,606
Issuance of other long-term obligations	861,300	864,000	2,700	-
Appropriated fund balance	3,650	-	(3,650)	-
Total other financing sources	1,275,264	1,274,314	(950)	401,606
Net change in fund balance	\$ -	1,106,541	\$ 1,106,541	70,543

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Solid Waste Management Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006			
			Variance	
	Budget	Actual	Positive (Negative)	2005 Actual
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		\$ 5,483		\$ 22,871
Investment earnings accrual		(7,387)		2,831
Proceeds from other long-term installment obligations		(864,000)		-
Interest expense accrual		<u>(3,357)</u>		<u>-</u>
Change in net assets		<u>\$ 237,280</u>		<u>\$ 96,245</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Storm Water Management Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Operating revenues:				
Charges for services:				
Utility fees	\$ 4,393,500	\$ 4,482,722	\$ 89,222	\$ 4,283,802
City streets	1,179,502	1,179,502	-	1,368,740
Miscellaneous operating revenue	47,302	26,767	(20,535)	59,115
Total operating revenues	<u>5,620,304</u>	<u>5,688,991</u>	<u>68,687</u>	<u>5,711,657</u>
Operating expenditures:				
Engineering	627,134	523,771	103,363	488,144
Operations	2,586,227	2,515,689	70,538	2,366,174
Street sweeping	545,974	556,352	(10,378)	543,580
Miscellaneous	610,019	599,638	10,381	550,000
Total operating expenditures	<u>4,369,354</u>	<u>4,195,450</u>	<u>173,904</u>	<u>3,947,898</u>
Excess of operating revenues over expenditures	<u>1,250,950</u>	<u>1,493,541</u>	<u>242,591</u>	<u>1,763,759</u>
Nonoperating revenues (expenditures):				
Facility fees	70,000	84,446	14,446	43,979
Investment earnings	75,000	170,321	95,321	83,865
Hurricane disaster assistance	72,521	72,521	-	-
Interest and fiscal charges	(306,586)	(251,619)	54,967	(210,618)
Principal payments on bonds	(493,522)	(498,522)	(5,000)	(428,522)
Total nonoperating expenditures, net	<u>(582,587)</u>	<u>(422,853)</u>	<u>159,734</u>	<u>(511,296)</u>
Excess of revenues over expenditures	<u>668,363</u>	<u>1,070,688</u>	<u>402,325</u>	<u>1,252,463</u>
Other financing sources (uses):				
Operating transfers out:				
Storm Water Capital Projects Fund	(1,877,000)	(1,877,000)	-	(1,301,500)
Special Purpose Fund	-	-	-	(8,357)
Total operating transfers - out	<u>(1,877,000)</u>	<u>(1,877,000)</u>	<u>-</u>	<u>(1,309,857)</u>
Appropriated fund balance	1,208,637	-	(1,208,637)	-
Total other financing uses, net	<u>(668,363)</u>	<u>(1,877,000)</u>	<u>(1,208,637)</u>	<u>(1,309,857)</u>
Net change in fund balance	<u>\$ -</u>	<u>(806,312)</u>	<u>\$ (806,312)</u>	<u>(57,394)</u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Storm Water Management Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
			<u>2005 Actual</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Vacation and sick leave accrual		\$ (21,917)	\$ (7,773)
Change in inventory		(9,158)	8,333
Capital asset expenditures		117,456	113,929
Depreciation		(1,282,918)	(1,250,144)
Amortization		(1,234)	-
Other noncapital expenses - Storm Water Capital Projects Fund		(5,241)	-
Operating transfer - Storm Water Capital Projects Fund		1,877,000	1,301,500
Investment earnings accrual		(27,211)	19,131
Investment earnings - Storm Water Capital Projects Fund		95,199	17,232
Principal payments on bonds		428,522	428,522
Principal payments on installment obligations		70,000	-
Interest expense accrual		126,954	1,528
Capital contributions - others		277,196	1,191,033
Other		<u>9,443</u>	<u>-</u>
Change in net assets		<u>\$ 847,779</u>	<u>\$ 1,765,897</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Storm Water Capital Projects Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Investment earnings	\$ 887,740	\$ 1,092,235	\$ 95,199	\$ 1,187,434	\$ 299,694
Restricted intergovernmental	2,903,000	313,000	81,195	394,195	(2,508,805)
Total revenues	3,790,740	1,405,235	176,394	1,581,629	(2,209,111)
<b>Expenditures:</b>					
Market Street drainage	468,219	467,795	-	467,795	424
Wrightsville Avenue culvert	100,000	1,700	550	2,250	97,750
Stormwater Inventory MAPPG	750,000	-	-	-	750,000
Lincoln outfall	85,000	-	-	-	85,000
Dupree Drive	440,000	-	-	-	440,000
437 Shipyard pipe repair	60,000	-	-	-	60,000
Longstreet canal	2,829,748	500,375	275,036	775,411	2,054,337
Rileys branch	1,588,000	369,588	1,961	371,549	1,216,451
Seagate area improvements	545,992	2,450	461,192	463,642	82,350
Greenville Loop Road bridge	1,179,413	1,179,302	-	1,179,302	111
Lions Gate	1,191,348	119,652	37,461	157,113	1,034,235
Market Northwoods	525,000	1,729	145,105	146,834	378,166
Market Inland Greens	1,350,000	105,061	8,794	113,855	1,236,145
Mineral Springs 2002-03	233,625	-	-	-	233,625
Heidi Drive relief 2002-03	269,000	-	200	200	268,800
Drainage easement relief	59,000	-	3,350	3,350	55,650
Brenda Drive drainage	446,500	-	-	-	446,500
New Hanover County Storm Water Improvement project	3,440,000	218,028	129,791	347,819	3,092,181
Pine Valley stream restoration	1,252	1,251	-	1,251	1
Gillette Drive - phase 2 & 3	1,664,068	1,664,067	-	1,664,067	1
Burnt Mill Creek outfall	83,960	83,960	-	83,960	-
Rosemont Avenue drainage	324,862	320,677	1,589	322,266	2,596
Total expenditures	17,634,987	5,035,635	1,065,029	6,100,664	11,534,323
Excess of expenditures over revenues	(13,844,247)	(3,630,400)	(888,635)	(4,519,035)	9,325,212
<b>Other financing sources:</b>					
Operating transfers - in:					
General Fund	127,154	127,155	-	127,155	1
Storm Water Management Fund	5,049,251	3,172,252	1,877,000	5,049,252	1
Total operating transfers - in	5,176,405	3,299,407	1,877,000	5,176,407	2
Issuance of bonds	5,295,144	1,979,199	-	1,979,199	(3,315,945)
Issuance of installment obligations	3,312,000	1,465,000	-	1,465,000	(1,847,000)
Premium on installment obligations	-	60,542	-	60,542	60,542
Issuance of other long-term obligations	60,698	60,699	-	60,699	1
Total other financing sources	13,844,247	6,864,847	1,877,000	8,741,847	(5,102,400)
Net change in fund balance	\$ -	\$ 3,234,447	\$ 988,365	\$ 4,222,812	\$ 4,222,812



**CITY OF WILMINGTON, NORTH CAROLINA**

**Parking Facilities Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Operating revenues:				
Charges for services:				
Parking fees	\$ 1,204,705	\$ 1,291,682	\$ 86,977	\$ 1,151,724
Parking violations	630,000	574,752	(55,248)	512,875
Total operating revenues	1,834,705	1,866,434	31,729	1,664,599
Operating expenditures:				
Salaries and benefits	70,611	59,534	11,077	57,467
Contracted services	811,340	728,873	82,467	868,657
Repairs and maintenance	18,239	8,305	9,934	6,598
Capital outlay	32,000	-	32,000	2,675
Other operating expenses	375,385	175,519	199,866	209,979
Total operating expenditures	1,307,575	972,231	335,344	1,145,376
Excess of operating revenues over expenditures	527,130	894,203	367,073	519,223
Nonoperating revenues (expenditures):				
Investment earnings	40,000	74,334	34,334	39,755
Interest and other charges	(410,510)	(412,382)	(1,872)	(421,156)
Principal payments on installment obligations	(171,431)	(171,431)	-	(166,431)
Principal payments on other long-term obligations	(173,124)	(173,124)	-	(167,385)
Total nonoperating expenditures, net	(715,065)	(682,603)	32,462	(715,217)
Excess of revenues over (under) expenditures	(187,935)	211,600	399,535	(195,994)
Appropriated fund balance	187,935	-	(187,935)	-
Net change in fund balance	\$ -	211,600	\$ 211,600	(195,994)
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		(1,103)		(6)
Capital asset expenditures		-		90,806
Other noncapital expenses - Parking Facilities				
Capital Projects Fund		37,520		-
Depreciation		(640,695)		(374,666)
Amortization		(6,974)		(6,974)

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Parking Facilities Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		2005 Actual
	Budget	Actual	Variance Positive (Negative)
Reconciliation from budgetary basis (modified accrual) to full accrual basis: (continued)			
Investment earnings accrual		\$ (4,807)	\$ 2
Investment earnings - Parking Facilities Capital Projects Fund		1,553	15,751
Operating transfer - Parking Facilities Capital Projects Fund		380,000	-
Principal payments on installment obligations		171,431	166,431
Principal payments on other long-term obligations		173,124	167,385
Interest expense accrual		1,962	338
Special item: construction in progress abandonment - Parking Facilities Capital Projects Fund		(404,397)	-
Change in net assets		<u>\$ (80,786)</u>	<u>\$ (136,927)</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Parking Facilities Capital Projects Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**From Inception and Year Ended June 30, 2006**

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 95,000	\$ 102,066	\$ 1,552	\$ 103,618	\$ 8,618
Expenditures:					
Northern riverfront deck	13,135,000	483,268	(78,872)	404,396	12,730,604
Water Street parking deck	8,525,000	238,181	2,243	240,424	8,284,576
Market Street parking deck	9,314,500	9,259,316	(37,519)	9,221,797	92,703
Total expenditures	30,974,500	9,980,765	(114,148)	9,866,617	21,107,883
Excess of revenues over (under) expenditures	(30,879,500)	(9,878,699)	115,700	(9,762,999)	21,116,501
Other financing sources:					
Operating transfers - in:					
General Fund	380,000	-	380,000	380,000	-
Issuance of installment obligations	30,499,500	9,232,190	-	9,232,190	(21,267,310)
Total other financing sources	30,879,500	9,232,190	380,000	9,612,190	(21,267,310)
Net change in fund balance	\$ -	\$ (646,509)	\$ 495,700	\$ (150,809)	\$ (150,809)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Golf Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		Variance	2005
	Budget	Actual	Positive (Negative)	Actual
Operating revenues:				
Fees and coupons	\$ 523,146	\$ 576,629	\$ 53,483	\$ 487,538
Cart rentals	211,442	257,865	46,423	194,967
Concessions	97,262	111,388	14,126	89,311
Miscellaneous	1,282	74,943	73,661	671
Total operating revenues	<u>833,132</u>	<u>1,020,825</u>	<u>187,693</u>	<u>772,487</u>
Operating expenditures:				
Salaries and employee benefits	471,581	425,109	46,472	393,465
Repairs and maintenance	316,812	288,798	28,014	274,451
Miscellaneous	88,027	91,070	(3,043)	55,208
Capital outlay	12,200	12,170	30	27,266
Total operating expenditures	<u>888,620</u>	<u>817,147</u>	<u>71,473</u>	<u>750,390</u>
Excess of operating revenues over (under) expenditures	<u>(55,488)</u>	<u>203,678</u>	<u>259,166</u>	<u>22,097</u>
Nonoperating revenues (expenditures):				
Investment earnings	7,500	27,998	20,498	12,606
Interest charges	(364)	(363)	1	(1,021)
Principal payments on other long-term obligations	<u>(24,270)</u>	<u>(24,270)</u>	<u>-</u>	<u>(23,612)</u>
Total nonoperating revenues (expenditures), net	<u>(17,134)</u>	<u>3,365</u>	<u>20,499</u>	<u>(12,027)</u>
Excess of revenues over (under) expenditures	<u>(72,622)</u>	<u>207,043</u>	<u>279,665</u>	<u>10,070</u>
Appropriated fund balance	<u>72,622</u>	<u>-</u>	<u>(72,622)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>207,043</u>	<u>\$ 207,043</u>	<u>10,070</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Deferred revenues		905		(388)
Vacation and sick leave accrual		(4,883)		2,496
Change in inventory		(17,623)		(2,288)
Depreciation		(67,918)		(83,123)
Investment earnings accrual		(1,905)		648
Principal payments on other long-term obligations		24,270		23,612
Interest expense accrual		56		25
Other		<u>-</u>		<u>1,529</u>
Change in net assets		<u>\$ 139,945</u>		<u>\$ (47,419)</u>

**INTERNAL SERVICE FUND TAB (FRONT)**

**INTERNAL SERVICE FUND TAB (BACK)**

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Net Assets -  
Internal Service Funds**

**June 30, 2006**

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,276,594	\$ 603,353	\$ 7,879,947
Accounts receivable	67,202	5,588	72,790
Due from other governments	566	-	566
Inventory of materials and supplies	<u>114,270</u>	<u>-</u>	<u>114,270</u>
Total current assets	<u>7,458,632</u>	<u>608,941</u>	<u>8,067,573</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	<u>5,139,789</u>	<u>-</u>	<u>5,139,789</u>
Capital assets:			
Furniture, fixtures, machinery and equipment	19,050,260	-	19,050,260
Less accumulated depreciation	<u>(14,142,001)</u>	<u>-</u>	<u>(14,142,001)</u>
Total capital assets, net of accumulated depreciation	<u>4,908,259</u>	<u>-</u>	<u>4,908,259</u>
Other assets:			
Deferred charges, net	<u>8,233</u>	<u>-</u>	<u>8,233</u>
Total noncurrent assets	<u>10,056,281</u>	<u>-</u>	<u>10,056,281</u>
Total assets	<u>17,514,913</u>	<u>608,941</u>	<u>18,123,854</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	361,510	-	361,510
Accrued liabilities	26,110	-	26,110
Current portion of other long-term obligations	1,593,263	-	1,593,263
Accrued vacation and sick leave	<u>65,938</u>	<u>-</u>	<u>65,938</u>
Total current liabilities	<u>2,046,821</u>	<u>-</u>	<u>2,046,821</u>
Noncurrent liabilities:			
Other long-term obligations	5,084,750	-	5,084,750
Accrued vacation and sick leave	<u>12,411</u>	<u>-</u>	<u>12,411</u>
Total noncurrent liabilities	<u>5,097,161</u>	<u>-</u>	<u>5,097,161</u>
Total liabilities	<u>7,143,982</u>	<u>-</u>	<u>7,143,982</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,378,268	-	3,378,268
Unrestricted	<u>6,992,663</u>	<u>608,941</u>	<u>7,601,604</u>
Total net assets	<u>\$ 10,370,931</u>	<u>\$ 608,941</u>	<u>\$ 10,979,872</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Internal Service Funds**

**Year Ended June 30, 2006**

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 1,724,079	\$ -	\$ 1,724,079
Charges for equipment replacement	1,509,612	283,290	1,792,902
Other operating revenues	<u>143,402</u>	<u>-</u>	<u>143,402</u>
Total operating revenues	<u>3,377,093</u>	<u>283,290</u>	<u>3,660,383</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	634,525	-	634,525
Materials and fuels consumed	17,007	-	17,007
Services	1,000,484	-	1,000,484
Utilities	5,083	-	5,083
Depreciation	1,439,816	-	1,439,816
Amortization	2,058	-	2,058
Other operating expenses	<u>831,668</u>	<u>246,523</u>	<u>1,078,191</u>
Total operating expenses	<u>3,930,641</u>	<u>246,523</u>	<u>4,177,164</u>
Operating income (loss)	<u>(553,548)</u>	<u>36,767</u>	<u>(516,781)</u>
Nonoperating revenues (expenses):			
Investment earnings	250,964	14,228	265,192
Interest and other charges	(78,674)	-	(78,674)
Gain on retirement of capital assets	<u>83,042</u>	<u>-</u>	<u>83,042</u>
Total nonoperating revenues	<u>255,332</u>	<u>14,228</u>	<u>269,560</u>
Income before transfers	(298,216)	50,995	(247,221)
Transfers to other funds	<u>(14,899)</u>	<u>-</u>	<u>(14,899)</u>
Change in net assets	(313,115)	50,995	(262,120)
Net assets at beginning of year	<u>10,684,046</u>	<u>557,946</u>	<u>11,241,992</u>
Net assets at end of year	<u><u>\$ 10,370,931</u></u>	<u><u>\$ 608,941</u></u>	<u><u>\$ 10,979,872</u></u>



**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Cash Flows -  
Internal Service Funds**

**Year Ended June 30, 2006**

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 415,244	\$ -	\$ 415,244
Receipts from interfund services provided	2,963,935	283,290	3,247,225
Payments to suppliers	(1,665,672)	(246,523)	(1,912,195)
Payments to or on behalf of employees	(633,356)	-	(633,356)
Payments for interfund services used	<u>(3,050)</u>	<u>-</u>	<u>(3,050)</u>
Net cash provided by operating activities	<u>1,077,101</u>	<u>36,767</u>	<u>1,113,868</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(3,332,545)	-	(3,332,545)
Proceeds from other long-term obligations	5,797,386	-	5,797,386
Interest and other charges	(58,753)	-	(58,753)
Issuance costs on other long-term obligations	(10,291)	-	(10,291)
Proceeds from retirement of capital assets	<u>87,260</u>	<u>-</u>	<u>87,260</u>
Net cash provided by capital and related financing activities	<u>2,483,057</u>	<u>-</u>	<u>2,483,057</u>
Cash flows from investing activities:			
Investment earnings	<u>257,741</u>	<u>13,400</u>	<u>271,141</u>
Net increase in cash and cash equivalents	3,817,899	50,167	3,868,066
Cash and cash equivalents at beginning of year	<u>8,598,484</u>	<u>553,186</u>	<u>9,151,670</u>
Cash and cash equivalents at end of year	<u><u>\$ 12,416,383</u></u>	<u><u>\$ 603,353</u></u>	<u><u>\$ 13,019,736</u></u>
Reconciliation to combining balance sheet:			
Cash and cash equivalents	\$ 7,276,594	\$ 603,353	\$ 7,879,947
Restricted cash and cash equivalents	<u>5,139,789</u>	<u>-</u>	<u>5,139,789</u>
Total cash and cash equivalents	<u><u>\$ 12,416,383</u></u>	<u><u>\$ 603,353</u></u>	<u><u>\$ 13,019,736</u></u>

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Combining Statement of Cash Flows -  
Internal Service Funds (Continued)**

**Year Ended June 30, 2006**

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total
	<hr/>	<hr/>	<hr/>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (553,548)	\$ 36,767	\$ (516,781)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,441,874	-	1,441,874
Changes in assets and liabilities:			
Due from other governments	2,086	-	2,086
Inventory of materials and supplies	3,689	-	3,689
Accounts payable and accrued liabilities	183,236	-	183,236
Accrued vacation and sick leave	<u>(236)</u>	<u>-</u>	<u>(236)</u>
Net cash provided by operating activities	<u>\$ 1,077,101</u>	<u>\$ 36,767</u>	<u>\$ 1,113,868</u>
Supplemental disclosure of noncash investing, capital and related financing activities:			
Transfer of capital assets to governmental funds	\$ (14,899)	\$ -	\$ (14,899)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Equipment, Maintenance and Replacement Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>		Variance Positive (Negative)	2005 Actual
	<u>Budget</u>	<u>Actual</u>		
Revenues:				
Operating revenues:				
Charges for services	\$ 1,526,150	\$ 1,724,079	\$ 197,929	\$ 1,642,623
Charges for equipment replacement	1,518,121	1,509,612	(8,509)	1,457,811
Other operating revenues	<u>-</u>	<u>201,780</u>	<u>201,780</u>	<u>64,366</u>
Total operating revenues	<u>3,044,271</u>	<u>3,435,471</u>	<u>391,200</u>	<u>3,164,800</u>
Nonoperating revenues:				
Investment earnings	206,600	280,563	73,963	129,268
Sale of capital assets	<u>-</u>	<u>27,402</u>	<u>27,402</u>	<u>70,702</u>
Total nonoperating revenues	<u>206,600</u>	<u>307,965</u>	<u>101,365</u>	<u>199,970</u>
Total revenues	<u>3,250,871</u>	<u>3,743,436</u>	<u>492,565</u>	<u>3,364,770</u>
Expenditures:				
Operating expenditures:				
Salaries, employee benefits and other personnel costs	672,326	630,820	41,506	590,628
Materials and fuels consumed	17,500	17,008	492	17,266
Maintenance and operating expenditures	724,845	1,003,394	(278,549)	867,711
Utilities	9,384	7,135	2,249	8,115
Other operating expenses	<u>153,356</u>	<u>133,939</u>	<u>19,417</u>	<u>122,824</u>
Total operating expenditures	<u>1,577,411</u>	<u>1,792,296</u>	<u>(214,885)</u>	<u>1,606,544</u>
Nonoperating expenditures:				
Capital and noncapital equipment	5,354,976	4,024,084	1,330,892	1,389,162
Interest and other charges	102,300	69,044	33,256	5,937
Principal payments on other long-term obligations	209,700	-	209,700	-
Reserve for replacement	<u>1,517,121</u>	<u>-</u>	<u>1,517,121</u>	<u>-</u>
Total nonoperating expenditures	<u>7,184,097</u>	<u>4,093,128</u>	<u>3,090,969</u>	<u>1,395,099</u>
Total expenditures	<u>8,761,508</u>	<u>5,885,424</u>	<u>2,876,084</u>	<u>3,001,643</u>
Excess of revenues over (under) expenditures	(5,510,637)	(2,141,988)	3,368,649	363,127
Other financing sources:				
Issuance of other long-term obligations	1,300,000	5,797,386	4,497,386	880,627
Appropriated fund balance	<u>4,210,637</u>	<u>-</u>	<u>(4,210,637)</u>	<u>-</u>
Total other financing sources	<u>5,510,637</u>	<u>5,797,386</u>	<u>286,749</u>	<u>880,627</u>
Net change in fund balance	<u>\$ -</u>	3,655,398	<u>\$ 3,655,398</u>	1,243,754

(Continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Equipment, Maintenance and Replacement Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	2006		
	Budget	Actual	Variance Positive (Negative)
			2005 Actual
Reconciliation from budgetary basis (modified accrual) to full accrual basis:			
Vacation and sick leave accrual		\$ 236	\$ (6,544)
Change in inventory		(3,689)	27,385
Capital asset expenditures		3,332,545	1,244,199
Depreciation		(1,439,816)	(1,440,957)
Amortization		(2,058)	-
Investment earnings accrual		(29,599)	15,172
Proceeds from other long-term obligations		(5,797,386)	(880,626)
Deferred charge - issuance costs on other long-term obligations		10,291	-
Interest expense accrual		(19,921)	(35)
Disposal of capital assets		(4,217)	(33,136)
Capital contributions from governmental funds		-	84,264
Transfers of capital assets to governmental funds		(14,899)	(83,120)
Transfers of capital assets from enterprise funds		<u>-</u>	<u>76,522</u>
Change in net assets		<u>\$ (313,115)</u>	<u>\$ 246,878</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Personal Computer Replacement Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2006  
With Comparative Actual Amounts for Year Ended June 30, 2005**

	<u>2006</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>2005 Actual</u>
Operating revenues:				
Charges for equipment replacement	\$ 246,600	\$ 283,290	\$ 36,690	\$ 227,400
Nonoperating revenues:				
Investment earnings	<u>-</u>	<u>15,841</u>	<u>15,841</u>	<u>6,159</u>
Total revenues	246,600	299,131	52,531	233,559
Nonoperating expenditures:				
Reserve for replacement	<u>246,600</u>	<u>246,523</u>	<u>77</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>52,608</u>	<u>\$ 52,608</u>	<u>233,559</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Investment earnings accrual		<u>(1,613)</u>		<u>1,589</u>
Change in net assets		<u>\$ 50,995</u>		<u>\$ 235,148</u>

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**SUPPLEMENTAL**  
**FINANCIAL DATA TAB (FRONT)**

**SUPPLEMENTAL**  
**FINANCIAL DATA TAB (BACK)**



**CITY OF WILMINGTON, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>**  
**Schedule By Type and Source**

**June, 30 2006**

Governmental funds capital assets:

Land	\$ 13,220,906
Improvements other than buildings	14,431,941
Buildings, plant and structures	50,749,822
Furniture, fixtures, machinery and equipment	12,094,885
Streets and drainage	10,641,104
Construction in progress	<u>19,501,648</u>
Total governmental funds capital assets	<u>\$ 120,640,306</u>

Investment in governmental funds capital assets by source:

Prior years for which detail is not available	\$ 20,354,873
General Fund	9,445,094
Special Purpose Fund	1,033,142
Capital Project Funds	83,486,907
Accepted dedications	<u>6,320,290</u>
Total governmental funds capital assets	<u>\$ 120,640,306</u>

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF WILMINGTON, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>  
Schedule By Function and Activity**

**June, 30 2006**

Function and Activity	<u>Land</u>	<u>Improvements other than Buildings</u>	<u>Buildings, Plant and Structures</u>
General government:			
City Manager	\$ -	\$ -	\$ -
Finance	-	-	-
Information Technology Services	-	-	-
Development Services	-	-	-
Public Services	-	-	-
General government buildings	<u>6,863,895</u>	<u>3,575,168</u>	<u>29,068,695</u>
Total general government	<u>6,863,895</u>	<u>3,575,168</u>	<u>29,068,695</u>
Public safety:			
Police	25,000	-	647,228
Fire	<u>2,107,338</u>	-	<u>10,643,769</u>
Total public safety	<u>2,132,338</u>	-	<u>11,290,997</u>
Transportation:			
Traffic engineering	37,638	-	72,364
Streets and drainage	<u>671,228</u>	<u>226,792</u>	<u>46,445</u>
Total transportation	<u>708,866</u>	<u>226,792</u>	<u>118,809</u>
Cultural and recreational:			
Parks and recreation	<u>3,208,242</u>	<u>10,629,981</u>	<u>10,129,886</u>
Economic and physical development	<u>307,565</u>	-	<u>141,435</u>
Total governmental funds capital assets	<u>\$ 13,220,906</u>	<u>\$ 14,431,941</u>	<u>\$ 50,749,822</u>

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Furniture, Fixtures, Machinery and Equipment</u>	<u>Streets and Drainage</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ 92,268	\$ -	\$ -	\$ 92,268
38,887	-	-	38,887
1,641,552	-	283,180	1,924,732
41,955	-	-	41,955
-	-	-	-
550,463	-	133,471	40,191,692
<u>2,365,125</u>	<u>-</u>	<u>416,651</u>	<u>42,289,534</u>
2,354,091	-	17,472,769	20,499,088
<u>6,227,786</u>	<u>-</u>	<u>722,604</u>	<u>19,701,497</u>
<u>8,581,877</u>	<u>-</u>	<u>18,195,373</u>	<u>40,200,585</u>
493,314	-	-	603,316
<u>239,251</u>	<u>10,641,106</u>	<u>816,786</u>	<u>12,641,608</u>
<u>732,565</u>	<u>10,641,106</u>	<u>816,786</u>	<u>13,244,924</u>
<u>415,316</u>	<u>-</u>	<u>72,838</u>	<u>24,456,263</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>449,000</u>
<u>\$ 12,094,883</u>	<u>\$ 10,641,106</u>	<u>\$ 19,501,648</u>	<u>\$ 120,640,306</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Capital Assets Used in the Operation of Governmental Funds <sup>(1)</sup>  
Schedule of Changes By Function and Activity**

**Year Ended June, 30 2006**

Function and Activity	July 1, 2005	Additions	Deductions
General government:			
City Manager	\$ 92,268	\$ -	\$ -
Finance	14,162	24,725	-
Information Technology Services	1,643,044	383,434	(101,746)
Development Services	48,324	10,909	(9,689)
Public Services	107,009	-	-
General government buildings	28,602,902	11,481,781	(50,300)
Total general government	<u>30,507,709</u>	<u>11,900,849</u>	<u>(161,735)</u>
Public safety:			
Police	4,797,755	15,701,333	-
Fire	18,105,749	1,631,806	(36,058)
Total public safety	<u>22,903,504</u>	<u>17,333,139</u>	<u>(36,058)</u>
Transportation:			
Traffic engineering	603,316	-	-
Streets and drainage	9,849,885	2,953,632	(161,909)
Total transportation	<u>10,453,201</u>	<u>2,953,632</u>	<u>(161,909)</u>
Cultural and recreational:			
Parks and recreation	24,108,436	348,894	(15,966)
Economic and physical development	499,300	-	-
Total governmental funds capital assets	<u>\$ 88,472,150</u>	<u>\$ 32,536,514</u>	<u>\$ (375,668)</u>

<sup>(1)</sup> This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Transfers</u>	<u>June 30, 2006</u>
\$ -	\$ 92,268
-	38,887
-	1,924,732
(7,589)	41,955
(107,009)	-
<u>157,309</u>	<u>40,191,692</u>
<u>42,711</u>	<u>42,289,534</u>
-	20,499,088
-	<u>19,701,497</u>
-	<u>40,200,585</u>
-	603,316
-	<u>12,641,608</u>
-	<u>13,244,924</u>
<u>14,899</u>	<u>24,456,263</u>
<u>(50,300)</u>	<u>449,000</u>
<u>\$ 7,310</u>	<u>\$ 120,640,306</u>

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Change in Ad Valorem Taxes Receivable**

**June 30, 2006**

Fiscal Year	Uncollected Balance July 1, 2005	Additions	Collections and Credits	Uncollected Balance June 30, 2006
2005-2006	\$ -	\$ 41,477,844	\$ 40,807,395	\$ 670,449
2004-2005	689,288	11,727	498,776	202,239
2003-2004	286,503	10,061	76,616	219,948
prior years	<u>691,707</u>	<u>11,795</u>	<u>94,353</u>	<u>609,149</u>
	1,667,498	41,511,427	41,477,140	1,701,785
Less allowance for uncollectible taxes	<u>(622,511)</u>	<u>-</u>	<u>(18,148)</u>	<u>(604,363)</u>
 Totals	 <u>\$ 1,044,987</u>	 <u>\$ 41,511,427</u>	 <u>\$ 41,458,992</u>	 <u>\$ 1,097,422</u>

Reconciliation of collections and credits:

New Hanover County tax office

remittances:

Taxes - ad valorem - current year - General Fund	\$ 40,344,559
Taxes - ad valorem - prior years - General Fund	566,878
Taxes - ad valorem - penalties and interest - General Fund	<u>154,698</u>

Total remittances 41,066,135

Amounts written off as abatements and because of statute of limitations 547,555

Less penalties and interest (154,698)

Total collections and credits \$ 41,458,992

# CITY OF WILMINGTON, NORTH CAROLINA

## Analysis of Current Tax Levy

For the Fiscal Year Ended June 30, 2006

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 8,706,650,546	\$ .46	\$ 40,050,592	\$ 37,726,301	\$ 2,324,291
Motor vehicles taxed at prior year's rate	233,769,130	.46	1,075,338	-	1,075,338
Penalties	-		38,365	38,365	-
Total	8,940,419,676		41,164,295	37,764,666	3,399,629
Discoveries:					
Current year taxes	65,384,348		300,768	292,061	8,707
Prior year taxes and penalties	-		12,780	12,780	-
Total			41,477,843	38,069,507	3,408,336
Abatements	(100,616,522)		(462,836)	(410,613)	(52,223)
Total property valuation	<u>\$ 8,905,187,502</u>				
Net levy			41,015,007	37,658,894	3,356,113
Uncollected taxes at June 30, 2006			670,449	219,097	451,352
Current year's taxes collected			<u>\$ 40,344,559</u>	<u>\$ 37,439,797</u>	<u>\$ 2,904,761</u>
Current levy collection percentage			<u>98.37%</u>	<u>99.42%</u>	<u>86.55%</u>

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**STATISTICAL SECTION TAB (FRONT)**

**STATISTICAL SECTION TAB (BACK)**

## STATISTICAL SECTION

This part of the City of Wilmington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	148 - 156
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	157 - 160
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	161 - 166
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	167
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	168 - 171

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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TABLE 1

## CITY OF WILMINGTON, NORTH CAROLINA

## Net Assets by Component

Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 13,209,589	\$ 21,147,929	\$ 25,294,237	\$ 41,210,966
Restricted	10,063,585	9,915,472	13,456,749	14,850,785
Unrestricted (1)	48,958,877	52,970,122	60,423,011	57,353,717
Total governmental activities net assets	<u>\$ 72,232,051</u>	<u>\$ 84,033,523</u>	<u>\$ 99,173,997</u>	<u>\$ 113,415,468</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 99,025,314	\$ 106,189,683	\$ 111,044,036	\$ 111,652,338
Restricted	3,720,477	4,417,410	4,677,245	5,741,848
Unrestricted	50,474,211	49,219,967	51,836,295	59,694,303
Total business-type activities net assets	<u>\$ 153,220,002</u>	<u>\$ 159,827,060</u>	<u>\$ 167,557,576</u>	<u>\$ 177,088,489</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 112,234,903	\$ 127,337,612	\$ 136,338,273	\$ 152,863,304
Restricted	13,784,062	14,332,882	18,133,994	20,592,633
Unrestricted	99,433,088	102,190,089	112,259,306	117,048,020
Total primary government net assets	<u>\$ 225,452,053</u>	<u>\$ 243,860,583</u>	<u>\$ 266,731,573</u>	<u>\$ 290,503,957</u>

**Notes:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

- (1) Unrestricted governmental activities net assets is restated in fiscal year 2003 to reflect a change in the availability criteria for recording revenues from 60 to 90 days.

TABLE 2

## CITY OF WILMINGTON, NORTH CAROLINA

## Changes in Net Assets

Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 11,535,385	\$ 13,908,704	\$ 13,797,417	\$ 15,587,565
Public safety	30,733,825	29,312,990	29,693,336	32,353,256
Transportation	10,077,678	8,755,214	7,173,171	7,353,292
Economic and physical development	5,003,942	4,148,984	4,092,091	3,688,117
Cultural and recreational	4,517,154	5,035,661	5,481,105	5,884,529
Transit system	1,899,511	2,114,212	2,835,153	827,836
Hurricane disaster recovery	77,177	-	899,162	396,542
Interest and other charges	1,942,334	1,674,471	2,243,752	3,563,334
Total governmental activities expenses	<u>65,787,006</u>	<u>64,950,236</u>	<u>66,215,187</u>	<u>69,654,471</u>
Business-type activities:				
Water and sewer	22,326,700	22,110,902	22,296,851	24,423,115
Ground water utility	3,122,086	3,159,538	3,604,276	4,310,438
Solid waste management	6,402,933	6,536,515	6,761,069	6,818,100
Storm water management	4,979,104	5,042,432	5,292,644	5,523,127
Parking facilities	1,085,561	1,060,952	1,857,034	2,398,299
Golf	895,869	867,190	832,772	908,034
Total business-type activities expenses	<u>38,812,253</u>	<u>38,777,529</u>	<u>40,644,646</u>	<u>44,381,113</u>
Total primary government expenses	<u>\$ 104,599,259</u>	<u>\$ 103,727,765</u>	<u>\$ 106,859,833</u>	<u>\$ 114,035,584</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 3,255,363	\$ 3,470,348	\$ 3,964,652	\$ 4,025,530
Public safety	432,996	426,862	430,717	675,317
Transportation	747,456	1,023,082	1,332,079	1,710,751
Economic and physical development	43,424	56,377	124,976	158,145
Cultural and recreational	351,593	426,800	426,954	500,873
Operating grants and contributions	9,772,894	6,821,511	7,561,229	6,282,373
Capital grants and contributions	4,433,079	5,110,524	2,150,342	1,985,222
Total governmental activities program revenues	<u>19,036,805</u>	<u>17,335,504</u>	<u>15,990,949</u>	<u>15,338,211</u>
Business-type activities:				
Charges for services:				
Water and sewer	20,722,414	22,185,784	24,611,004	27,493,488
Ground water utility	3,584,541	3,994,315	3,956,352	4,393,099
Solid waste management	6,160,974	6,389,017	6,487,649	6,566,883
Storm water management	5,532,704	5,510,872	5,711,657	5,698,434
Parking facilities	1,471,820	1,476,052	1,664,599	1,866,433
Golf	812,842	821,951	772,099	946,886
Operating grants and contributions	3,083	40,000	-	162,349
Capital grants and contributions	2,067,532	3,920,708	3,911,415	2,779,844
Total business-type activities program revenues	<u>40,355,910</u>	<u>44,338,699</u>	<u>47,114,775</u>	<u>49,907,416</u>
Total primary government program revenues	<u>\$ 59,392,715</u>	<u>\$ 61,674,203</u>	<u>\$ 63,105,724</u>	<u>\$ 65,245,627</u>
Net (expense)/revenue				
Governmental activities	\$ (46,750,201)	\$ (47,614,732)	\$ (50,224,238)	\$ (54,316,260)
Business-type activities	<u>1,543,657</u>	<u>5,561,170</u>	<u>6,470,129</u>	<u>5,526,303</u>
Total primary government net expense	<u>\$ (45,206,544)</u>	<u>\$ (42,053,562)</u>	<u>\$ (43,754,109)</u>	<u>\$ (48,789,957)</u>

(Continued)

TABLE 2

## CITY OF WILMINGTON, NORTH CAROLINA

## Changes in Net Assets (Continued)

Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes:				
Ad valorem taxes	\$ 39,268,327	\$ 39,462,243	\$ 39,525,332	\$ 41,072,872
Room occupancy tax	151,062	-	3,551,896	1,758,422
Local option sales tax (1)	11,618,601	13,554,544	14,799,445	16,252,524
Franchise tax (1)	5,331,964	4,389,563	4,580,235	4,829,914
Rental vehicle tax	129,349	145,573	161,076	170,860
Unrestricted grants and contributions	1,246,184	1,320,882	1,362,214	1,646,134
Investment earnings	814,004	681,664	1,392,501	3,173,990
Miscellaneous	416,590	201,522	308,740	444,088
Transfers to other funds	(725,463)	(339,787)	(316,727)	(791,073)
Total governmental activities	<u>58,250,618</u>	<u>59,416,204</u>	<u>65,364,712</u>	<u>68,557,731</u>
Business-type activities:				
Investment earnings	841,930	702,389	943,660	3,138,187
Miscellaneous	-	3,712	-	75,350
Transfers from other funds	725,463	339,787	316,727	791,073
Total business-type activities	<u>1,567,393</u>	<u>1,045,888</u>	<u>1,260,387</u>	<u>4,004,610</u>
Total primary government	<u>\$ 59,818,011</u>	<u>\$ 60,462,092</u>	<u>\$ 66,625,099</u>	<u>\$ 72,562,341</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 11,500,417	\$ 11,801,472	\$ 15,140,474	\$ 14,241,471
Business-type activities	<u>3,111,050</u>	<u>6,607,058</u>	<u>7,730,516</u>	<u>9,530,913</u>
Total primary government	<u>\$ 14,611,467</u>	<u>\$ 18,408,530</u>	<u>\$ 22,870,990</u>	<u>\$ 23,772,384</u>

**Notes:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

- (1) Local option sales tax and franchise tax are restated in fiscal year 2003 to reflect a change in the availability criteria for recording revenues from 60 to 90 days.

# CITY OF WILMINGTON, NORTH CAROLINA

## Fund Balances of Governmental Funds

### Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
General fund				
Reserved	\$ 6,003,002	\$ 5,323,211	\$ 6,554,701	\$ 6,668,009
Unreserved	<u>8,542,225</u>	<u>9,420,461</u>	<u>5,274,194</u>	<u>10,391,434</u>
Total general fund	<u>\$ 14,545,227</u>	<u>\$ 14,743,672</u>	<u>\$ 11,828,895</u>	<u>\$ 17,059,443</u>
All other governmental funds				
Reserved	\$ 14,239,148	\$ 33,087,270	\$ 22,337,936	\$ 20,796,389
Unreserved (deficit), reported in				
Capital projects funds	2,971,215	1,554,270	-	-
Special revenue funds	<u>110,259</u>	<u>78,649</u>	<u>(788,802)</u>	<u>(464,357)</u>
Total all other governmental funds	<u>\$ 17,320,622</u>	<u>\$ 34,720,189</u>	<u>\$ 21,549,134</u>	<u>\$ 20,332,032</u>

**Notes:** Includes General, Debt Service, Special Revenue and Capital Project Funds.



**TABLE 3**

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 7,570,930	\$ 5,299,935	\$ 5,860,272	\$ 8,934,734	\$ 7,723,813	\$ 8,194,268
<u>12,336,728</u>	<u>19,918,081</u>	<u>24,246,657</u>	<u>23,203,322</u>	<u>21,197,032</u>	<u>18,465,163</u>
<u>\$ 19,907,658</u>	<u>\$ 25,218,016</u>	<u>\$ 30,106,929</u>	<u>\$ 32,138,056</u>	<u>\$ 28,920,845</u>	<u>\$ 26,659,431</u>
\$ 25,206,203	\$ 27,983,750	\$ 31,856,787	\$ 34,484,381	\$ 69,737,297	\$ 52,784,436
(2,164,847)	(1,361,361)	(629,452)	(6,909,264)	-	-
<u>(35,215)</u>	<u>926,644</u>	<u>(4,354,102)</u>	<u>(587,444)</u>	<u>1,907,435</u>	<u>2,487,853</u>
<u>\$ 23,006,141</u>	<u>\$ 27,549,033</u>	<u>\$ 26,873,233</u>	<u>\$ 26,987,673</u>	<u>\$ 71,644,732</u>	<u>\$ 55,272,289</u>

# CITY OF WILMINGTON, NORTH CAROLINA

## Changes in Fund Balances of Governmental Funds

### Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
<b>Revenues</b>				
Taxes:				
Ad valorem taxes (1), (2), (3)	\$ 16,367,433	\$ 17,472,181	\$ 19,639,928	\$ 33,775,923
Room occupancy tax	170,760	181,546	219,487	204,009
Intangibles tax reimbursement	665,978	650,780	678,827	877,727
Local option sales tax (4)	7,051,250	7,530,762	7,995,638	9,198,584
Franchise tax (4)	3,105,982	2,499,338	2,639,622	3,520,485
Rental vehicle tax	-	-	-	-
Unrestricted intergovernmental	1,848,887	1,778,117	1,797,177	1,899,439
Restricted intergovernmental	11,611,465	5,927,539	6,884,298	7,262,054
Licenses and permits	1,444,820	1,552,683	1,818,506	2,120,152
Sales and services	2,593,528	2,578,437	3,085,745	3,164,229
Fines and forfeits (5)	202,508	250,295	327,727	338,420
Investment earnings	1,153,396	2,048,689	1,595,112	1,513,176
Donations	88,178	200	1,653	80,450
Miscellaneous	417,070	1,004,816	725,826	1,028,468
Total revenues	<u>46,721,255</u>	<u>43,475,383</u>	<u>47,409,546</u>	<u>64,983,116</u>
<b>Expenditures</b>				
General government	8,615,531	15,367,966	16,435,630	18,075,883
Public safety	15,074,384	17,337,644	21,586,344	23,392,392
Transportation (6)	5,085,710	6,498,326	5,923,330	7,310,938
Economic and physical development	1,863,890	2,450,950	2,300,220	2,584,572
Cultural and recreational	2,116,128	3,090,737	4,266,749	4,302,586
Transit system	1,079,413	1,058,104	1,125,812	1,254,552
Hurricane disaster recovery	7,097,514	41,664	648,342	1,961,623
Debt service (7)				
Principal retirement	2,121,702	2,214,358	2,410,637	3,915,101
Interest and other charges	1,134,187	1,532,560	1,988,777	1,936,701
Total expenditures	<u>44,188,459</u>	<u>49,592,309</u>	<u>56,685,841</u>	<u>64,734,348</u>
Excess of revenues over (under) expenditures	<u>2,532,796</u>	<u>(6,116,926)</u>	<u>(9,276,295)</u>	<u>248,768</u>

TABLE 4

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 31,066,885	\$ 42,523,366	\$ 39,201,126	\$ 39,462,243	\$ 39,589,130	\$ 41,066,135
221,047	218,933	151,062	-	3,035,500	2,274,818
-	756,623	-	-	-	-
10,708,827	9,990,162	10,906,730	13,554,544	14,799,445	16,252,524
3,786,227	2,248,006	4,303,926	4,389,563	4,580,235	4,829,914
52,137	136,220	129,349	145,573	161,076	170,860
2,030,400	1,716,092	1,004,394	1,084,242	1,126,013	1,409,726
7,585,698	6,745,047	13,523,730	8,906,642	8,854,406	6,731,853
2,224,174	2,562,725	2,557,466	2,755,356	3,235,686	3,433,560
3,433,034	3,796,988	4,065,419	4,071,509	4,246,620	4,887,896
65,679	29,503	46,667	42,656	67,768	98,193
2,116,081	960,061	698,245	571,137	1,166,673	3,003,871
63,313	76,805	10,425	7,560	310,484	265,883
557,427	1,988,105	785,347	1,588,726	1,401,353	1,567,486
63,910,929	73,748,636	77,383,886	76,579,751	82,574,389	85,992,719
13,710,720	14,438,217	14,882,693	19,915,584	23,263,162	28,392,473
26,808,518	28,442,252	29,756,843	30,341,682	30,211,315	48,631,834
7,040,480	6,467,935	12,501,063	8,956,586	8,913,756	8,535,654
2,920,901	3,184,631	4,920,265	4,244,397	4,157,456	4,029,778
5,883,551	7,547,710	6,343,404	7,404,489	5,954,753	5,351,974
1,557,066	1,903,497	1,899,511	2,114,212	2,835,153	827,836
1,000	-	77,177	-	899,162	396,542
3,961,215	4,544,691	4,262,148	4,659,942	4,585,416	4,658,821
1,861,410	2,054,331	1,999,041	1,696,258	2,131,877	3,355,149
63,744,861	68,583,264	76,642,145	79,333,150	82,952,050	104,180,061
166,068	5,165,372	741,741	(2,753,399)	(377,661)	(18,187,342)

(Continued)

# CITY OF WILMINGTON, NORTH CAROLINA

## Changes in Fund Balances of Governmental Funds (Continued)

### Last Ten Fiscal Years (modified accrual basis of accounting)

	Fiscal Year			
	1997	1998	1999	2000
<b>Other financing sources (uses)</b>				
Transfers from other funds	\$ 3,490,033	\$ 3,550,480	\$ 3,991,606	\$ 5,172,182
Transfers to other funds	(3,490,033)	(3,550,480)	(4,780,606)	(5,832,182)
Issuance of bonds		15,330,207	-	-
Issuance of installment obligations	-	10,320,000	-	4,425,000
Premium on installment obligations	-	-	-	-
Issuance of other long-term obligation	332,075	1,813,697	1,136,611	-
Payment to redeem outstanding bonds		(3,774,202)	-	-
Payment to redeem outstanding installment obligation	-	-	-	-
Total other financing sources (uses)	<u>332,075</u>	<u>23,689,702</u>	<u>347,611</u>	<u>3,765,000</u>
Net change in fund balances	<u>\$ 2,864,871</u>	<u>\$ 17,572,776</u>	<u>\$ (8,928,684)</u>	<u>\$ 4,013,768</u>
Debt service as a percentage of noncapital expenditures	8.0%	9.9%	10.0%	11.4%

**Notes:** Includes General, Debt Service, Special Revenue and Capital Project Funds.

- (1) Includes related penalties and interest.
- (2) Beginning in fiscal year 2000, the area annexed effective January 31, 1999 is included.
- (3) Beginning in fiscal year 2002, the area annexed effective September 30, 2000 is included. In fiscal year 2002 only, there is included an additional nine months of revenue from the annexation for the prior year due to the timing of the annexation effective date.
- (4) Local option sales tax and franchise tax are restated in fiscal year 2003 to reflect a change in the availability criteria for recording revenues from 60 to 90 days.
- (5) Beginning in fiscal year 2001, parking fines are reported in the Parking Facilities Fund, an enterprise fund.
- (6) Beginning in fiscal year 1999, storm water operations are accounted for in the Storm Water Management Fund, an enterprise fund.
- (7) Beginning in fiscal year 2005, debt service is accounted for in the Debt Service Fund.

**TABLE 4**

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 4,360,015	\$ 5,720,951	\$ 3,068,509	\$ 6,905,283	\$ 18,633,309	\$ 19,534,201
(5,520,375)	(6,573,381)	(3,806,434)	(7,305,956)	(19,026,558)	(20,324,515)
3,400,000	-	-	10,351,989	-	-
-	-	4,237,811	-	47,365,000	-
-	-	-	-	2,258,494	-
2,240,860	5,500,000	-	-	1,184,184	273,803
-	-	-	(6,702,956)	-	-
-	-	-	-	(8,535,107)	-
<u>4,480,500</u>	<u>4,647,570</u>	<u>3,499,886</u>	<u>3,248,360</u>	<u>41,879,322</u>	<u>(516,511)</u>
<u>\$ 4,646,568</u>	<u>\$ 9,812,942</u>	<u>\$ 4,241,627</u>	<u>\$ 494,961</u>	<u>\$ 41,501,661</u>	<u>\$ (18,703,853)</u>
10.2%	10.6%	8.9%	9.1%	9.4%	10.9%

**TABLE 5****CITY OF WILMINGTON, NORTH CAROLINA****Assessed and Estimated Actual Value of Taxable Property****Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Taxable Value as a Percentage of Actual Value</u>
1997	\$ 2,128,997,382	\$ 501,415,741	\$ 107,667,861	\$ 2,738,080,984	\$ 0.595	100%
1998	2,206,662,420	596,469,271	111,266,811	2,914,398,502	0.595	100%
1999	2,307,941,747	612,527,640	99,801,402	3,020,270,789	0.650	100%
2000	5,200,161,853	1,046,503,494	145,551,520	6,392,216,867 <sup>(1)</sup>	0.470	100%
2001	5,337,095,765	1,119,464,898	145,371,646	6,601,932,309	0.470	100%
2002	6,682,783,632	1,307,522,169	155,487,381	8,145,793,182	0.470	100%
2003	6,845,437,902	1,316,772,835	151,502,588	8,313,713,325	0.470	100%
2004	6,994,374,825	1,198,554,241	143,646,286	8,336,575,352	0.470	100%
2005	7,159,369,535	1,233,951,171	149,194,323	8,542,515,029	0.460	100%
2006	7,421,238,230	1,333,505,244	150,444,028	8,905,187,502	0.460	100%

**Source:** New Hanover County Tax Office

**Notes:** <sup>(1)</sup> Property in New Hanover County is appraised at least once every eight years on average as required by state law. Property is assessed at 100 percent of value. Tax rates are per \$100 of assessed value.

TABLE 6

## CITY OF WILMINGTON, NORTH CAROLINA

Property Tax Rates - Direct and Overlapping Governments  
(Per \$100 of Assessed Value)

## Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>City of Wilmington Direct Rates</u>	<u>New Hanover County Overlapping Rates</u>	<u>Total Direct &amp; Overlapping Rates</u>
1997	\$ 0.595	\$ 0.645	\$ 1.240
1998	0.595	0.665	1.260
1999	0.650	0.665	1.315
2000	0.470	0.565	1.035
2001	0.470	0.610	1.080
2002	0.470	0.690	1.160
2003	0.470	0.690	1.160
2004	0.470	0.680	1.150
2005	0.460	0.680	1.140
2006	0.460	0.680	1.140

**Source:** New Hanover County Tax Office

**Notes:** Overlapping rates are those of the county government that apply to property owners within the City of Wilmington. This is in addition to the City tax rate that is levied on residents within the corporate limits. The City tax rate may not exceed \$1.50 per \$100 of assessed value under state law.

TABLE 7

## CITY OF WILMINGTON, NORTH CAROLINA

## Top Ten Taxpayers

## Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corning Inc.	\$ 159,779,527	1	1.79%	\$ -		- %
Carolina Power & Light Co.	71,426,778	2	0.80	36,325,908	2	1.33
BellSouth Tel Co.	50,778,730	3	0.57	48,896,042	1	1.79
UDRT of North Carolina LLC	43,788,049	4	0.49	27,638,320	3	1.01
Independence Shoppingtown	37,987,352	5	0.43	22,343,222	5	0.82
GSII University Centre LLC	22,347,233	6	0.25	-		-
Piedmont Natural Gas Co. Inc.	18,033,693	7	0.20	-		-
National Gypsum	11,611,415	8	0.13	-		-
Landfall Ventures	11,455,085	9	0.13	-		-
Belk Berry Co.	11,333,814	10	0.13	-		-
Columbia Cape Fear Healthcare	-		-	25,138,789	4	0.92
Developers Diversified Realty	-		-	20,708,840	6	0.76
Federal Paper Board	-		-	14,452,886	7	0.53
North Carolina Natural Gas	-		-	12,403,594	8	0.45
Net Realty Holding Trust	-		-	11,423,481	9	0.42
The American Crane Co.	-		-	10,069,535	10	0.37
	<u>\$ 438,541,676</u>		<u>3.15%</u>	<u>\$ 229,400,617</u>		<u>8.38%</u>

Source: New Hanover County Tax Office



TABLE 8

## CITY OF WILMINGTON, NORTH CAROLINA

## Property Tax Levies and Collections

## Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 16,319,442	\$ 15,973,006	97.88 %	\$ 296,284	\$ 16,269,290	99.69 %
1998	17,394,186	16,957,079	97.49	368,619	17,325,698	99.61
1999	19,602,792	19,121,615	97.55	410,257	19,531,872	99.64
2000	34,043,367	33,258,083	97.69	705,784	33,963,867	99.77
2001	31,085,675	30,367,985	97.69	646,730	31,014,715	99.77
2002	42,566,296	41,663,142	97.88	793,286	42,456,428	99.74
2003	39,230,731	38,241,979	97.48	829,540	39,071,519	99.59
2004	39,330,888	38,520,774	97.94	590,166	39,110,940	99.44
2005	39,393,630	38,704,342	98.25	487,050	39,191,392	99.49
2006	41,015,008	40,344,559	98.37	-	40,344,559	98.37

Source: New Hanover County Tax Office

TABLE 9

## CITY OF WILMINGTON, NORTH CAROLINA

## Ratio of Outstanding Debt by Type

## Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Obligations	Other Long-term Obligations	General Obligation Bonds	Water & Sewer Revenue Bonds	Installment Obligations	Other Long-term Obligations			
1997	\$ 21,473,840	\$ -	\$ 3,515,938	\$ 48,451,160	\$ -	\$ -	\$ 7,391,140	\$ 80,832,078	5.29%	\$ 1,284
1998	25,123,686	10,320,000	4,606,918	52,331,314	-	-	6,131,637	98,513,555	6.01%	1,527
1999	22,713,049	9,995,000	4,859,054	49,521,951	7,380,435	-	6,385,583	100,855,072	5.01%	1,334
2000	20,338,584	13,885,000	3,853,417	46,731,416	22,761,794	22,550,000	4,566,900	134,687,111	6.18%	1,765
2001	21,400,297	13,310,000	5,046,349	43,959,703	22,000,714	22,030,000	2,851,149	130,598,212	4.95%	1,435
2002	18,969,229	12,710,000	9,032,849	43,180,771	21,202,561	21,490,000	2,316,319	128,901,729	4.92%	1,410
2003	16,644,492	16,322,811	7,719,888	40,130,508	20,247,335	30,157,190	1,769,997	132,992,221	4.94%	1,435
2004	17,819,954	15,457,810	6,521,800	36,920,046	19,351,017	29,567,190	1,223,367	126,861,184	4.45%	1,356
2005	15,251,701	61,197,259	7,468,017	33,598,299	18,418,416	30,250,758	775,363	166,959,813	N/A	1,763
2006	12,962,155	52,500,673	12,398,500	30,422,845	70,404,118	29,639,327	1,419,811	209,747,429	N/A	2,159

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14, Demographic and Economic Statistics for personal income and population data.

**TABLE 10****CITY OF WILMINGTON, NORTH CAROLINA****Ratios of General Bond Debt Outstanding****Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
1997	\$ 21,473,840	0.78%	\$ 341
1998	25,123,686	0.86%	389
1999	22,713,049	0.75%	300
2000	20,338,584	0.32%	267
2001	21,400,297	0.32%	235
2002	18,969,229	0.23%	207
2003	16,644,492	0.20%	180
2004	17,819,954	0.21%	191
2005	15,251,701	0.18%	161
2006	12,962,155	0.15%	133

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Table 5, Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value.

(2) Population data can be found in Table 14, Schedule of Demographic and Economic Statistics.

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TABLE 11

## CITY OF WILMINGTON, NORTH CAROLINA

## Direct and Overlapping Governmental Activities Debt

As of June 30, 2006

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
New Hanover County	\$ 290,646,052	47.48 %	\$ 137,998,745
City of Wilmington direct debt			<u>77,861,328</u>
Total direct and overlapping debt			<u>\$ 215,860,073</u>

**Source:** Assessed value data used to estimate applicable percentages provided by the New Hanover County Tax Office. Debt outstanding data provided by each government.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Wilmington. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total assessed value.

# CITY OF WILMINGTON, NORTH CAROLINA

## Legal Debt Margin Information

### Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Debt limit	\$ 219,046,479	\$ 233,151,880	\$ 241,621,663	\$ 511,377,349
Total net debt applicable to limit	<u>30,350,847</u>	<u>39,750,697</u>	<u>36,373,325</u>	<u>33,041,899</u>
Legal Debt Margin	<u>\$ 188,695,632</u>	<u>\$ 193,401,183</u>	<u>\$ 205,248,338</u>	<u>\$ 478,335,450</u>
Total net debt applicable to the limit				
as a percentage of debt limit	13.86%	17.05%	15.05%	6.46%

### Legal Debt Margin Calculation for Fiscal Year 2006

Total assessed valuation at June 30, 2006	<u>\$8,905,187,502</u>
Debt limit: 8% of total assessed value	\$ 712,415,000
Amount of debt applicable to debt limit:	
Total general obligation bonds	\$ 43,385,000
Total other debt (including water and sewer revenue bonds)	<u>166,362,429</u>
Gross debt	<u>209,747,429</u>
Less:	
Deductions allowed by law:	
Water general obligation bonds	24,457,847
Water and sewer revenue bonds	<u>70,404,118</u>
Total deductions	<u>94,861,965</u>
Total amount of debt applicable to debt limit	<u>114,885,464</u>
Legal debt margin	<u>\$ 597,529,536</u>

**Notes:** Under state law, the City of Wilmington's net debt should not exceed 8% of the City's assessed valuation. Net debt is total outstanding bonded debt plus other outstanding debt minus bonded debt issued for water enterprise operations and revenue bonds issued for water/sewer enterprise operations.

**TABLE 12**

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 528,154,585	\$ 651,663,455	\$ 665,097,066	\$ 666,926,028	\$ 683,401,202	\$ 712,415,000
<u>33,156,421</u>	<u>75,336,640</u>	<u>82,407,456</u>	<u>79,151,927</u>	<u>114,698,689</u>	<u>114,885,464</u>
<u>\$ 494,998,164</u>	<u>\$ 576,326,815</u>	<u>\$ 582,689,610</u>	<u>\$ 587,774,101</u>	<u>\$ 568,702,513</u>	<u>\$ 597,529,536</u>
6.28%	11.56%	12.39%	11.87%	16.78%	16.13%

TABLE 13

## CITY OF WILMINGTON, NORTH CAROLINA

## Pledged-Revenue Coverage

## Last Ten Fiscal Years

Fiscal Year Ended June 30	Water & Sewer Revenue Bonds					
	Gross Revenues <sup>(1)</sup>	Less Operating Expenses <sup>(2)</sup>	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 21,787,036	\$ 9,339,266	\$ 12,447,770	\$ -	\$ -	N/A
1998	22,512,692	10,285,269	12,227,423	-	-	N/A
1999	22,522,691	11,252,624	10,953,024	119,565	175,232	37.15
2000	23,959,960	12,152,805	11,807,155	233,641	900,037	10.41
2001	24,463,313	13,338,112	11,125,201	798,153	1,124,392	5.79
2002	24,278,286	14,300,823	9,977,463	835,819	1,087,426	5.19
2003	23,133,639	15,035,691	8,097,948	896,318	968,667	4.34
2004	24,729,940	15,169,890	9,560,050	932,601	930,834	5.13
2005	27,238,656	15,503,385	11,735,271	974,299	890,231	6.29
2006	32,412,202	16,909,986	15,502,216	1,046,428	3,294,869	3.57

**Notes:** Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>(1)</sup> Gross revenues include all fees (including impact fees), other charges and investment income.

<sup>(2)</sup> Operating expenses do not include interest, depreciation and amortization expenses.



TABLE 14

## CITY OF WILMINGTON, NORTH CAROLINA

## Demographic and Economic Statistics

## Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Ratio (5)</u>
1997	62,968	\$ 1,526,848	\$ 24,248	36.5	20,957	4.1%
1998	64,513	1,639,662	25,416	35.7	21,488	4.9%
1999	75,629	(6) 2,013,849	26,628	36.0	20,936	3.4%
2000	76,307	2,179,252	28,559	36.3	21,792	3.9%
2001	90,981	(7) 2,639,632	29,013	36.5	21,430	4.5%
2002	91,441	2,619,785	28,650	36.6	21,854	6.6%
2003	92,668	2,691,264	29,042	36.7	21,639	6.0%
2004	93,524	2,849,302	30,466	36.9	22,140	3.6%
2005	94,718	N/A	N/A	37.1	23,208	4.5%
2006	97,135	N/A	N/A	37.3	24,097	3.5%

**Sources & Notes:**

- (1) City of Wilmington Planning Department.
- (2) Department of Revenue, State of North Carolina.
- (3) North Carolina State Demographics, Median age statistics are for New Hanover County as a whole, which includes the City of Wilmington.
- (4) Figures are provided by the New Hanover County Public Schools which includes the City of Wilmington (City's 2006 population estimated at 97,135 out of 180,358 total County population).
- (5) Unemployment statistics are for New Hanover County provided by North Carolina Employment Security Commission. (Separate data for City not available.)
- (6) Includes increase attributable to annexation effective in 1999.
- (7) Includes increase attributable to annexation effective in 2000.

TABLE 15

## CITY OF WILMINGTON, NORTH CAROLINA

## Principal Employers

## Current Year and Nine Years Ago

Employer	2006			1997		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
New Hanover Health Network*	4,600	1	4.93%	2,850	1	4.16%
New Hanover County Schools**	3,126	2	3.35%	2,700	2	3.94%
General Electric Nuclear Fuel/Aircraft	1,650	3	1.77%	2,500	3	3.65%
University of North Carolina (Wilmington)*	1,627	4	1.74%	1,085	6	1.58%
New Hanover County*	1,368	5	1.47%	1,200	5	1.75%
City of Wilmington*	1,165	6	1.25%	712	8	1.04%
Wal-mart**	1,055	7	1.13%	-		-
United States Government*	940	8	1.01%	940	7	1.37%
Pharmaceutical Products Development*	900	9	0.96%	-		-
Verizon Wireless*	900	10	0.96%	-		-
Corning, Inc.	-		-	1,540	4	2.25%
Hoechst Celanese	-		-	700	9	1.02%
Columbia Cape Fear Hospital	-		-	575	10	0.84%
Total	17,331		18.56%	14,802		21.62%

Source: North Carolina Employment Security Commission

## Notes:

\* Located within the City of Wilmington

\*\* Located partially in City

(1) Total employment numbers available from North Carolina Employment Security Commission only on a county basis.

TABLE 16

## CITY OF WILMINGTON, NORTH CAROLINA

## Full-time Equivalent City Government Employees by Function

## Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	119	129	146	144	156	161	154	158	155	161
Public Safety										
Police										
Policeman and officers	162	185	210	250	249	247	246	251	251	253
Civilians	22	23	25	32	36	38	41	44	43	43
Fire										
Firemen and officers	129	148	177	179	203	209	209	210	210	210
Civilians	7	6	6	6	6	6	6	7	7	7
Code enforcement	6	4	6	7	7	8	8	8	9	11
Transportation	32	35	42	50	57	59	60	61	61	61
Economic and Physical Development	14	10	10	10	11	11	13	13	12	13
Cultural and Recreational	35	40	46	60	66	66	70	73	73	74
Solid Waste	38	33	37	39	54	55	55	55	59	87
Water and Sewer	122	125	135	130	151	156	156	157	157	159
Groundwater Utility	-	-	-	18	18	18	18	18	18	18
Storm Water Management	19	29	44	45	56	57	57	57	58	58
Parking Facilities	-	-	-	-	-	-	-	1	1	1
Golf Course	7	8	10	10	10	10	9	9	9	9
Total	<u>712</u>	<u>775</u>	<u>894</u>	<u>980</u>	<u>1,080</u>	<u>1,101</u>	<u>1,102</u>	<u>1,122</u>	<u>1,123</u>	<u>1,165</u>

Source: City Budget Office.

TABLE 17

## CITY OF WILMINGTON, NORTH CAROLINA

## Operating Indicators by Function

## Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Calls dispatched	N/A	N/A	N/A	N/A	139,383	144,934	148,547	173,768	154,959	179,088
Part I crimes	N/A	7,193	8,667	8,554	8,243	9,208	8,970	8,361	7,966	8,363
Fire										
Actual fires	N/A	N/A	N/A	610	637	640	556	561	568	583
Fire department responses	N/A	N/A	5,294	5,113	5,914	8,138	7,969	8,417	9,567	10,364
Fire inspections completed	N/A	N/A	2,874	5,418	4,731	2,926	3,429	4,957	5,115	4,925
Streets Maintenance										
Miles of streets resurfaced	10	3	7	4	0	1	10	7	5	3
Solid Waste										
Tons of residential refuse	N/A	21,122	26,705	25,082	29,023	31,794	32,156	27,777	29,808	29,986
Tons of recyclables	N/A	2,381	2,496	2,366	2,547	3,200	3,429	4,302	4,831	4,526
Water										
Number of consumers	22,207	N/A	24,100	36,800	37,440	37,440	41,891	43,160	44,715	46,252
Average daily consumptions (gallons)	10,290,070	9,507,500	11,180,070	15,400,000	18,220,000	18,220,000	17,978,000	16,752,000	15,050,000	16,140,000
Sewer										
Number of consumers	N/A	N/A	N/A	N/A	22,640	22,860	22,880	23,580	24,040	24,750
Average million gallons treated per day	N/A	N/A	14	18	14	14	15	15	16	16
Golf Course										
Total number of regular rounds	N/A	N/A	44,051	N/A	55,782	54,750	52,550	51,458	N/A	55,460

**Source:** Various City departments.

**Notes:** Indicators are not available for the general government function.

TABLE 18

## CITY OF WILMINGTON, NORTH CAROLINA

## Capital Asset Statistics by Function

## Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations / facilities	5	1	3	3	4	4	4	3	2	2
Patrol units	N/A	N/A	N/A	153	175	181	186	186	192	239
Fire										
Fire stations	5	5	5	9	9	9	9	9	9	9
Transportation										
Streets (miles)	257	255	295	304	303	365	375	381	382	383
Streetlights	6,527	6,657	6,817	7,421	7,789	8,290	8,699	8,738	9,252	9,226
Cultural and Recreational										
Parks	N/A	N/A	N/A	N/A	41	41	41	42	43	44
Parks acreage	N/A	N/A	N/A	N/A	459	459	459	517	563	602
Recreation centers	8	8	8	9	9	9	9	9	9	9
Solid Waste										
Collection trucks	24	24	25	30	30	33	36	37	42	56
Water										
Water mains (miles)	N/A	524	709	712	716	736	745	765	780	785
Maximum daily capacity (million gallons)	15	25	25	25	25	25	25	25	27.5	27.5
Sewer										
Sanitary sewers (miles)	392	392	392	393	393	393	393	394	395	395
Sewer plants	2	2	2	2	2	2	2	2	2	2
Maximum daily capacity (million gallons)	20	20	20	20	20	20	20	20	20	20
Storm Water										
Storm sewers (miles)	400	400	400	400	400	400	400	400	400	400
Parking										
Parking Decks	2	2	2	1	1	1	1	1	2	2
Fleet										
Vehicles (excluding patrol units)	N/A	N/A	N/A	330	352	359	357	367	368	387

**Source:** Various City departments.

**Notes:** No capital assets indicators are available for the general government function.

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**SINGLE AUDIT SECTION TAB (BACK)**





## **Lanier, Whaley, Craft & Co.**

*Certified Public Accountants and Consultants*

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the City Council  
City of Wilmington, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Wilmington, North Carolina as of and for the year ended June 30, 2006, which collectively comprises the City of Wilmington, North Carolina's basic financial statements, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wilmington, North Carolina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain matters involving internal control over financial reporting that we have reported to management of the City of Wilmington, North Carolina in a separate letter dated October 27, 2006.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilmington, North Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lamier, Whaley, Craft & Co.*

Wilmington, North Carolina

October 27, 2006



**Lanier, Whaley, Craft & Co.**  
*Certified Public Accountants and Consultants*

**Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133 and the  
State Single Audit Implementation Act**

To the City Council  
City of Wilmington, North Carolina

Compliance

We have audited the compliance of the City of Wilmington, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Wilmington, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Wilmington, North Carolina's management. Our responsibility is to express an opinion on the City of Wilmington, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wilmington, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wilmington, North Carolina's compliance with those requirements.

In our opinion, the City of Wilmington, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Wilmington, North Carolina is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Wilmington, North Carolina's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lamier, Whaley, Craft & Co.*

Wilmington, North Carolina  
October 27, 2006



**Lanier, Whaley, Craft & Co.**  
*Certified Public Accountants and Consultants*

**Report on Compliance with Requirements Applicable to Each Major State  
Program and Internal Control Over Compliance in Accordance with  
Applicable Sections of OMB Circular A-133 and the  
State Single Audit Implementation Act**

To the City Council  
City of Wilmington, North Carolina

Compliance

We have audited the compliance of the City of Wilmington, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2006. The City of Wilmington, North Carolina's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of the City of Wilmington, North Carolina's management. Our responsibility is to express an opinion on the City of Wilmington, North Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Wilmington, North Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wilmington, North Carolina's compliance with those requirements.

In our opinion, the City of Wilmington, North Carolina complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Wilmington, North Carolina is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Wilmington, North Carolina's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of City Council, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lamier, Whaley, Craft & Co.*

Wilmington, North Carolina  
October 27, 2006

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2006**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
* Reportable condition(s) identified that are not considered to be material weaknesses	_____ yes	_____ <u>x</u> none reported

Noncompliance material to financial statements noted	_____ yes	_____ <u>x</u> no
--	-----------	-------------------

**Federal Awards**

Internal control over major federal programs:

* Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
* Reportable condition(s) identified that are not considered to be material weaknesses	_____ yes	_____ <u>x</u> none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____ yes	_____ <u>x</u> no
---	-----------	-------------------

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Construction and Planning
97.036	Disaster Grants - Public Assistance

(continued)

**CITY OF WILMINGTON, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

**Section I - Summary of Auditor's Results (Continued)**

**Federal Awards (Continued)**

Dollar threshold used to distinguish  
between Type A and Type B Programs \$ 300,000

Auditee qualified as low-risk auditee?  x  yes   no

**State Awards**

Internal control over major State programs:

\* Material weakness(es) identified?   yes  x  no

\* Reportable condition(s) identified that are  
not considered to be material weaknesses   yes  x  none reported

Type of auditor's report issued on compliance for major  
State programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with the State Single  
Audit Implementation Act   yes  x  no

Identification of major State programs:

Program Name  
Powell Bill - DOT-4

(continued)



**CITY OF WILMINGTON, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2006**

**Section II - Financial Statement Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

None reported

**Section IV - State Award Findings and Questioned Costs**

None reported

**CITY OF WILMINGTON, NORTH CAROLINA**

**Corrective Action Plan**

**Year Ended June 30, 2006**

**Section II – Financial Statement Findings**

None reported

**Section III – Federal Award Findings and Questioned Costs**

None reported

**Section IV - State Award Findings and Questioned Costs**

None reported

**CITY OF WILMINGTON, NORTH CAROLINA**

**Summary Schedule of Prior Year Audit Findings**

**Year Ended June 30, 2006**

**Section II - Financial Statement Findings**

None reported

**Section III - Federal Award Findings and Questioned Costs**

None reported

**Section IV - State Award Findings and Questioned Costs**

None reported

**CITY OF WILMINGTON, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**

**Year Ended June 30, 2006**

Grantor/Passthrough Grantor/Program Title	Federal CFDA or State DOT	Grant Award	WBS	Expenditures		
	Number	Number	Number	Federal	State	Local
Federal Awards:						
U.S. Department of Housing and Urban Development						
Direct Program:						
Community Development Block Grant	14.218	B-96-MC-370010	-	\$ 817	\$ -	\$ -
Community Development Block Grant	14.218	B-97-MC-370010	-	20,119	-	-
Community Development Block Grant	14.218	B-98-MC-370010	-	3,022	-	-
Community Development Block Grant	14.218	B-99-MC-370010	-	11,758	-	-
Community Development Block Grant	14.218	B-01-MC-370010	-	14,000	-	-
Community Development Block Grant	14.218	B-02-MC-370010	-	1,940	-	-
Community Development Block Grant	14.218	B-03-MC-370010	-	19,614	-	-
Community Development Block Grant	14.218	B-04-MC-370010	-	464,759	-	-
Community Development Block Grant	14.218	B-05-MC-370010	-	503,510	-	124,645
Home Investment Partnerships Program	14.239	M-01-MC-37-0207	-	66,078	-	-
Home Investment Partnerships Program	14.239	M-02-MC-37-0207	-	88,366	-	-
Home Investment Partnerships Program	14.239	M-03-MC-37-0207	-	281,906	-	-
Home Investment Partnerships Program	14.239	M-04-MC-37-0207	-	108,689	-	-
Home Investment Partnerships Program	14.239	M-05-MC-37-0207	-	1,417	-	349,922
Total U.S. Department of Housing and Urban Development				1,585,995	-	474,567

See Notes to Schedule of Expenditures  
of Federal and State Awards.

(continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Expenditures of Federal and State Awards (Continued)**

**Year Ended June 30, 2006**

Grantor/Passthrough Grantor/Program Title	Federal CFDA or State DOT	Grant Award Number	WBS Number	Expenditures		
	Number			Federal	State	Local
Federal Awards (continued):						
U.S. Department of Transportation						
Passthrough N.C. Department of Transportation:						
Transportation Planning	20.205	Section 104(f)	39225.1.16	\$ 220,201	\$ -	\$ 55,050
Enhancement Agreement	20.205	E-4516	34041.1.1/34041.2.1	88,905	-	22,226
Enhancement Agreement	20.205	E-2971C	-	4,501	-	1,125
Enhancement Agreement	20.205	E-2973C	30546	147	-	-
Transportation Planning	20.505	06-08-006	36230.57.5.6	31,320	3,915	3,915
Governor's Highway Safety Program	20.605	QN-06-10-01-16	-	3,780	-	1,260
Total U.S. Department of Transportation				348,854	3,915	83,576
U.S. Department of Justice						
Direct Program:						
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1327	-	17,361	-	2,994
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0138	-	25,317	-	2,813
Homeland Security Overtime Program	16.710	2003-OM-WX-0076	-	1,551	-	517
Bulletproof Vest Partnership	16.607	99002969	-	34,049	-	34,049
Edward Byrne Justice Assistance Grant Program	16.738	2005-DJ-BX-0535	-	68,209	-	-

See Notes to Schedule of Expenditures  
of Federal and State Awards.

(continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Expenditures of Federal and State Awards (Continued)**

**Year Ended June 30, 2006**

Grantor/Passthrough Grantor/Program Title	Federal CFDA or State DOT	Grant Award Number	WBS Number	Expenditures		
	Number			Federal	State	Local
Federal Awards (continued):						
U.S. Department of Justice (continued)						
Passthrough N.C. Department of Crime Control and Public Safety:						
Dreambuilders	16.548	065-1-04-001-AT-722	-	\$ 12,904	\$ -	\$ 6,452
Dreambuilders Project Coordinator	16.540	065-1-05-009-AJ-805	-	25,447	-	-
Education: The Great Equalizer	16.540	065-1-05-027-AJ-581	-	66,025	-	22,008
Dreambuilders	16.548	065-1-04-009-AT-108	-	40,816	-	20,408
Dreams Sustained Prevention/Intervention Arts	16.738	065-1-05-003-BH-791	-	29,830	-	9,943
Total U.S. Department of Justice				321,509	-	99,184
U.S. Department of Homeland Security						
Direct Program:						
Fire Operations and Firefighter Safety	83.544	EMW-2003-FG-10797	-	7,053	-	3,023

See Notes to Schedule of Expenditures  
of Federal and State Awards.

(continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Expenditures of Federal and State Awards (Continued)**

**Year Ended June 30, 2006**

Grantor/Passthrough Grantor/Program Title	Federal CFDA or State DOT	Grant Award Number	WBS Number	Expenditures		
	Number			Federal	State	Local
Federal Awards (continued):						
U.S. Department of Homeland Security (continued)						
Passthrough N.C. Department of Crime Control and Public Safety:						
Public Assistance - PA ID: 129-74440-00	97.036	FEMA-1608-DR-NC	-	\$ 427,229	\$ 142,410	\$ -
Public Assistance - PA ID: 129-74440-00	97.036	FEMA-3254-DR-NC	-	226,305	75,435	-
Total U.S. Department of Homeland Security				660,587	217,845	3,023
Total Federal Awards				2,916,945	221,760	660,350
State Awards:						
N.C. Department of Transportation						
Powell Bill Funds	DOT-4	-	32570	\$ -	\$ 2,820,203	\$ 51,926
Transit Development Program	DOT-11	06-RS-008	36225.7.3.1	-	38,871	38,871
Traffic Agreement	DOT-18	-	35859	-	1,520	380
Municipal Agreement	DOT-18	U-4751	40191.2.1	-	232,766	-
Municipal Agreement	-	-	39738	-	385	165
Seagate Area Drainage Improvements	DOT-18	9.8039089	30544	-	53,000	-
Landscaping Agreement	DOT-18	-	39841	-	4,931	-
Total N.C. Department of Transportation				-	3,151,676	91,342

See Notes to Schedule of Expenditures  
of Federal and State Awards.

(continued)

**CITY OF WILMINGTON, NORTH CAROLINA**

**Schedule of Expenditures of Federal and State Awards (Continued)**

**Year Ended June 30, 2006**

Grantor/Passthrough Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
State Awards (continued):						
<u>Clean Water Management Trust Fund</u>						
Hewlett's Creek Storm Water Agreement	-	2004B-707	-	\$ -	\$ 87,803	\$ 41,987
Total State Awards				-	3,239,479	133,329
Total Federal and State Awards				\$2,916,945	\$3,461,239	\$ 793,679

See Notes to Schedule of Expenditures  
of Federal and State Awards.



**CITY OF WILMINGTON, NORTH CAROLINA**

**Notes to Schedule of Expenditures of Federal and State Awards**

**Year Ended June 30, 2006**

**NOTE 1 - GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards represents the activity of all federal and State awards to the City of Wilmington, North Carolina. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Expenditures are reported on the schedule only at such time as there is an approved award. As a result, certain expenditures incurred in a prior year may be reported for the first time in the current year or as a reimbursement of local expenditures reported in a prior year. All federal and state awards, received directly or indirectly (flow through) from federal and state agencies, are included on the schedule.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and state awards has been prepared on the modified accrual basis, which is described in Note 1 of the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, amounts presented in this schedule will frequently differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 3 - FEDERAL PROGRAM MONIES USED TO MAKE LOANS**

The following schedule reflects the activity in the Federal loan programs.

	<u>CFDA Number</u>	<u>Outstanding June 30, 2005</u>	<u>Loaned or Assigned</u>	<u>Collected or Forgiven</u>	<u>Outstanding June 30, 2006</u>
<u>U.S. Department of Housing and</u>					
<u>Urban Development</u>					
Direct Program:					
Community Development					
Block Grant	14.218	\$5,528,738	\$ 106,531	\$ 625,655	\$5,009,614
Home Investment Partnership	14.239	3,169,307	871,589	147,197	3,893,699
Rental Rehabilitation	N.A.	139,926	-	67,675	72,251
Urban Development Action Grant	N.A.	403,029	-	366,259	36,770